

NICASIO ELEMENTARY SCHOOL DISTRICT
COUNTY OF MARIN
NICASIO, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements	18
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP) and Actual - General Fund	39
Notes to Required Supplementary Information	40
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Governing Board/ Administration	41
Schedule of Average Daily Attendance	42

NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2012

<u>TABLE OF CONTENTS</u>	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION (CONCLUDED)</u>	
Schedule of Instructional Time	43
Schedule of Charter Schools	44
Schedule of Expenditures of Federal Awards	45
Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements	46
Schedule of Financial Trends and Analysis	47
Notes to Supplementary Information	48
<u>OTHER INDEPENDENT AUDITORS REPORT SECTION</u>	
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Auditor's Report on Compliance with State Laws and Regulations	51
<u>FINDINGS AND RESPONSES SECTION</u>	
Schedule of Audit Findings and Responses	53
Section I - Summary of Auditor's Results	53
Section II - Financial Statement Findings	54
Section III - Federal Award Findings and Responses	54
Section IV - State Award Findings and Responses	54
Summary Schedule Of Prior Year Audit Findings	55

FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Nicasio Elementary School District
Nicasio, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nicasio Elementary School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Nicasio Elementary School District as of June 30, 2012 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the Nicasio Elementary School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nicasio Elementary School District's financial statements as a whole. The accompanying financial and statistical information listed as supplementary information in the table of contents are not a required part of the financial statements. The financial and statistical information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 7, 2012

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The discussion and analysis of Nicasio Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

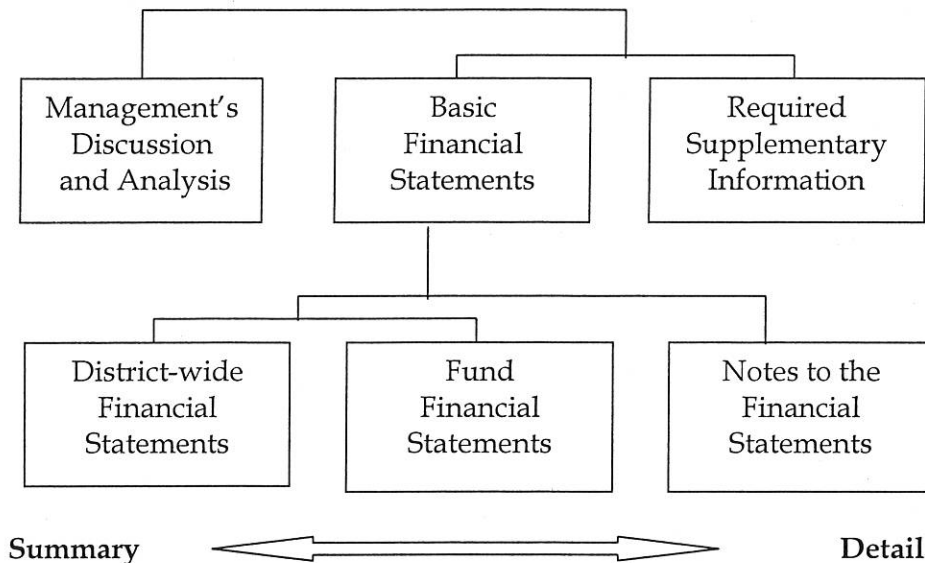
- From 2010-2011 to 2011-2012 Revenue Limit sources (consisting of local property taxes) increased \$10 thousand.
- General Fund expenditures and other uses exceeded revenues and other sources by \$8,004.
- The General Fund ended the year with a fund balance of \$468,388, including \$20,922 in restricted funds and \$60,000 for the reserve for uncertainties.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$4.2 million. After depreciation, the June 30, 2012 book value for fixed assets totaled \$3.3 million.

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Nicasio Elementary School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column. Budget comparisons for the General Fund are included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2011-12?"

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools, to assess the overall health of the District.

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

Reporting the School District's Most Significant Funds

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 to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the School District's Most Significant Funds (Concluded)

Fund Financial Statements (Concluded)

◆ **Governmental Funds**

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Bond Interest and Redemption Fund and the Capital Facilities Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net assets were \$1.5 million at June 30, 2012. Of this amount \$410 thousand was unrestricted. Investments in capital assets, net of related debt, account for \$947,520 of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

**(Table 1)
Comparative Statement of Net Assets**

	Governmental Activities	
	2012	2011
Assets		
Cash and investments	\$ 781,706	\$ 678,208
Receivables	26,089	50,832
Capital assets	3,257,520	3,210,222
Total assets	<u>\$ 4,065,315</u>	<u>\$ 3,939,262</u>
Liabilities		
Accounts payable and other current liabilities	\$ 212,813	\$ 78,253
Deferred revenue	1,006	250
Long-term liabilities	2,310,000	2,456,337
Total liabilities	<u>\$ 2,523,819</u>	<u>\$ 2,534,840</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 947,520	\$ 753,885
Restricted	183,943	227,127
Unrestricted	410,033	423,410
Total net assets	<u>\$ 1,541,496</u>	<u>\$ 1,404,422</u>

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position increased \$137,074 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 67 percent of total expenses. The purely administrative activities of the District accounted for just 9 percent of total costs. The remaining 24 percent was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

(Table 2)
Comparative Statement of Change in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
Program revenues	\$ 100,089	\$ 141,396
General revenues		
Taxes levied for general purposes	581,458	571,346
Taxes levied for other specific purposes	140,888	135,876
Taxes levied for debt service	183,109	192,069
Federal and State Aid not restricted to specific purposes	35,416	51,451
Interest and investment earnings	1,329	2,847
Interagency revenues	11,646	11,896
Miscellaneous	81,338	6,417
Total revenues	<u>1,135,273</u>	<u>1,113,298</u>
Expenses		
Instruction	546,347	576,220
Instruction related services	120,972	126,710
Pupil support services	(69)	22,718
General administration	94,054	95,491
Plant services	104,048	101,195
Interest on long-term debt	90,429	218,876
Other	42,418	41,780
Total expenses	<u>998,199</u>	<u>1,182,990</u>
Increase (Decrease) in net assets	<u>\$ 137,074</u>	<u>\$ (69,692)</u>

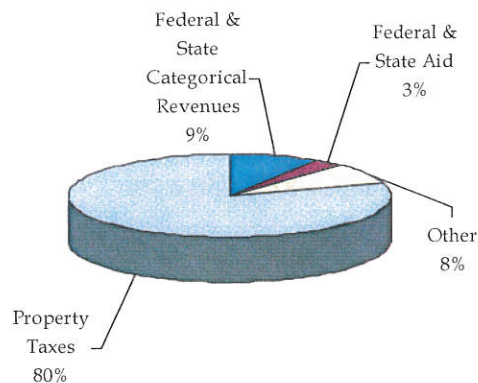
NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

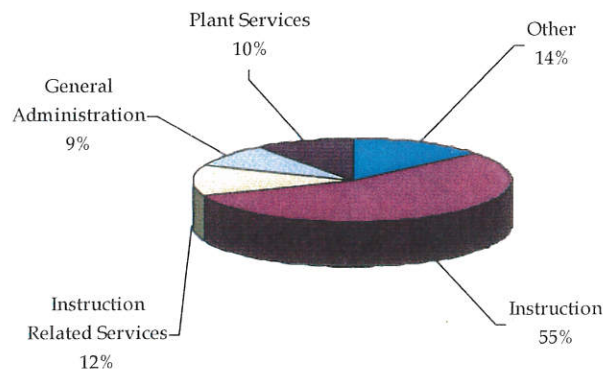
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$1 million. The amount that our local taxpayers financed for these activities through property taxes was \$905 thousand. Federal and State aid not restricted to specific purposes totaled \$35 thousand. State and Federal Categorical revenue totaled over \$100 thousand, and contributed 9% of the revenues of the entire District (see Figure 1).

**Sources of Revenue for the 2011-12 Fiscal Year
Figure 1**



**Expenses for the 2011-12 Fiscal Year
Figure 2**



NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of expendable resources. The District's Governmental Funds reported a combined fund balance of \$631 thousand, a decrease of \$58 thousand from the previous fiscal year's combined ending balance of \$689 thousand. The General Fund balance decreased \$8 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget throughout the year. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Budget revisions for construction contracts, as actual costs became known.
- ◆ Other budget revisions were routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net increase to the ending balance of \$62 thousand.

The District ended the year with a decrease of \$8 thousand to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of \$61,000. The District's ending reserve was \$257,626.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2011-12 fiscal year, the District had invested \$4.2 million in a broad range of capital assets, including land, work in progress, school buildings, site improvements, and equipment. This amount represents an increase of \$47,298 over the previous fiscal year.

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2012 and 2011

	2012	2011	Difference Increase (Decrease)
Land	\$ 53,889	\$ 53,889	
Site Improvements	44,550	48,460	\$ (3,910)
Buildings	3,004,502	3,080,141	(75,639)
Machinery and Equipment	12,674	17,057	(4,383)
Work in Process	141,905	10,675	131,230
Totals	<u>\$ 3,257,520</u>	<u>\$ 3,210,222</u>	<u>\$ 47,298</u>

Long-Term Debt

At June 30, 2012, the District had \$2.31 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2012 and 2011

	2012	2011
General Obligation Bonds	\$ 2,310,000	\$ 2,440,000
Capital Lease Obligations		16,337
Totals	<u>\$ 2,310,000</u>	<u>\$ 2,456,337</u>

The District continues to maintain excellent credit ratings on all of its debt issues.

NICASIO ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FACTORS BEARING ON THE DISTRICT'S FUTURE

For the year 2011-12, the District remains in basic aid status. This means that the property tax collections exceeded the calculated revenue limit. It is anticipated that this trend will continue with the gap between taxes and the revenue limit calculation increasing each year. This is the result of property taxes increasing and enrollment declining.

The latest enrollment projections indicate a continual decrease in enrollment for the next school year. Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California.

The District has a parcel tax of \$421.82 per parcel in 2011-12 with a 4% inflation factor added each year through 2016. The parcel tax is used to maintain small class sizes structured in appropriate multi-grade classroom configurations, to increase compensation for teachers and staff, and to support school operations and vital instructional programs. In 2011-12, the parcel tax generated revenue of \$140,888.

The District benefits when the State economy is strong by receiving additional revenue from new programs. When the State economy is in a decline, the District is protected somewhat by being in basic aid status.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Susan Skipp, Nicasio Elementary School District, 5555 Nicasio Valley Road, Nicasio, CA 94946.

NICASIO ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

		<u>Governmental Activities</u>
<u>Assets</u>		
Cash (Note 2)		\$ 781,706
Accounts Receivable (Note 4)		26,089
Total Capital Assets, Net of Depreciation (Note 6)		<u>3,257,520</u>
Total Assets		<u><u>\$ 4,065,315</u></u>
<u>Liabilities</u>		
Accounts Payable and Other Current Liabilities		\$ 212,813
Deferred Revenue (Note 1H)		1,006
Long-term Liabilities (Note 10)		
Due Within One Year	\$ 100,000	
Due After One Year	<u>2,210,000</u>	
Total Long-Term Liabilities		<u>2,310,000</u>
Total Liabilities		<u><u>\$ 2,523,819</u></u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt		\$ 947,520
Restricted For:		
Debt Service		163,021
Education Programs		20,922
Unrestricted		<u>410,033</u>
Total Net Assets		<u><u>\$ 1,541,496</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction	\$ 546,347	\$ 79,956	\$ (466,391)
Instruction-Related Services:			
School Site Administration	120,972	315	(120,657)
Pupil Services:			
Home-To-School Transportation	1,957	476	(1,481)
All Other Pupil Services	(2,026)	(358)	1,668
General Administration:			
All Other General Administration	94,054	9,381	(84,673)
Plant Services	104,048		(104,048)
Ancillary Services	1,693	412	(1,281)
Interest on Long-Term Debt	90,429		(90,429)
Other Outgo	40,725	9,907	(30,818)
Total Governmental Activities	<u>\$ 998,199</u>	<u>\$ 100,089</u>	<u>(898,110)</u>
General Revenues:			
Property Taxes Levied For:			
General Purposes			581,458
Debt Service			183,109
Other Specific Purposes			140,888
Federal and State Aid Not Restricted to Specific Purposes			35,416
Interest and Investment Earnings			1,329
Interagency Revenues			11,646
Miscellaneous			81,338
Total General Revenues			<u>1,035,184</u>
Change in Net Assets			137,074
Net Assets Beginning			<u>1,404,422</u>
Net Assets Ending			<u>\$ 1,541,496</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash (Note 2)	\$ 618,685	\$ 163,021	\$ 781,706
Accounts Receivable (Note 4)	<u>26,089</u>		<u>26,089</u>
Total Assets	<u>\$ 644,774</u>	<u>\$ 163,021</u>	<u>\$ 807,795</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 175,380		\$ 175,380
Deferred Revenue (Note 1H)	<u>1,006</u>		<u>1,006</u>
Total Liabilities	<u>176,386</u>		<u>176,386</u>
Fund Balances (Note 1H):			
Nonspendable	1,000		1,000
Restricted	20,922	\$ 163,021	183,943
Committed	160,219		160,219
Assigned	28,621		28,621
Unassigned	<u>257,626</u>		<u>257,626</u>
Total Fund Balances	<u>468,388</u>	<u>163,021</u>	<u>631,409</u>
Total Liabilities and Fund Balances	<u>\$ 644,774</u>	<u>\$ 163,021</u>	<u>\$ 807,795</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balance - governmental funds	\$	631,409
---	----	---------

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

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

Capital assets, at historical cost:	\$	4,244,492	
Accumulated depreciation:		<u>(986,972)</u>	
Net:			3,257,520

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was:

(37,433)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	\$	<u>2,310,000</u>	
Total			<u>(2,310,000)</u>

Total net assets - governmental activities	\$	<u><u>1,541,496</u></u>
--	----	-------------------------

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Total Governmental Funds
<u>Revenues</u>				
Revenue Limit Sources				
Local Sources	\$ 581,457			\$ 581,457
Total Revenue Limit	581,457			581,457
Federal Revenue	12,058			12,058
Other State Revenue	42,229	\$ 406		42,635
Other Local Revenue	310,972	188,134	\$ 18	499,124
Total Revenues	946,716	188,540	18	1,135,274
<u>Expenditures</u>				
Certificated Salaries	349,702			349,702
Classified Salaries	131,826			131,826
Employee Benefits	97,109			97,109
Books and Supplies	16,326			16,326
Services and Other				
Operating Expenditures	188,151			188,151
Capital Outlay	131,230			131,230
Debt Service:				
Principal Retirement		130,000	16,337	146,337
Interest and Fiscal Charges		91,137	375	91,512
Other Outgo	40,725			40,725
Total Expenditures	955,069	221,137	16,712	1,192,918
Excess of Revenues Over (Under) Expenditures	(8,353)	(32,597)	(16,694)	(57,644)
Other Financing Sources (Uses):				
Operating Transfers In (Note 5)	349			349
Operating Transfers Out (Note 5)			(349)	(349)
Total Other Financing Sources (Uses)	349	0	(349)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(8,004)	(32,597)	(17,043)	(57,644)
Fund Balances - July 1, 2011	476,392	195,618	17,043	689,053
Fund Balances - June 30, 2012	\$ 468,388	\$ 163,021	\$ 0	\$ 631,409

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	(57,644)
--	----	----------

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

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

Expenditures for capital outlay:	\$	131,230	
Depreciation expense:		(83,932)	
Net:		47,298	

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		146,337
--	--	---------

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, 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, was:		1,083
--	--	-------

Total change (decrease) in net assets - governmental activities	\$	137,074
---	----	---------

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, boards and agencies that are not legally separate from the District. For Nicasio Elementary School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

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

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

MAJOR GOVERNMENTAL FUNDS:

1. General 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 accounts for activity in its Deferred Maintenance Fund separately, however, includes in the General Fund to comply with GASB 54.
2. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.
3. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.

E. Budgets and Budgetary Accounting

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

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and major Special Revenue Funds as required supplementary information in the financial statements.

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

F. Encumbrances

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

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts have separate, unlimited coverage by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012 as provided by Section 343 of the Dodd-Frank Act. Beginning January 1, 2013, the FDIC will insure the accounts in accordance with 12.C.F.R. Part 330, which generally provides each depositor up to \$250,000 in coverage.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

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

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period when purchased.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

4. Deferred Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

A liability has not been reported because there are no employees with unused vacation balances at June 30, 2012.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

6. Long-Term Obligations

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

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Assets (Concluded)

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriate for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, the Superintendent and/or their designate.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Continued)

Fund Balances

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

	General Fund	Bond Interest and Redemption Fund	Total
Nonspendable:			
Revolving Fund	\$ 1,000		\$ 1,000
Total Nonspendable Fund Balance	1,000		1,000
Restricted For:			
Legally Restricted Categorical Funding	20,922		20,922
Debt Service		\$ 163,021	163,021
Total Restricted Fund Balance	20,922	163,021	183,943
Committed For:			
Special Reserve	135,219		135,219
Reserve for Special Education	25,000		25,000
Total Committed Fund Balance	160,219	0	160,219
Assigned For:			
Carryover in Instructional Materials			
Funding Realignment Program	4,269		4,269
Facility Maintenance Projects	24,352		24,352
Total Assigned Fund Balance	28,621	0	28,621
Unassigned:			
Reserve for Economic Uncertainties	60,000		60,000
Other Unassigned	197,626		197,626
Total Unassigned Fund Balance	257,626	0	257,626
Total Fund Balances	\$ 468,388	\$ 163,021	\$ 631,409

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.