

NICASIO ELEMENTARY SCHOOL DISTRICT  
COUNTY OF MARIN  
NICASIO, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013



NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2013

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NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2013

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FINANCIAL SECTION



GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

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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 Nicasio Elementary School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Nicasio Elementary School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and budgetary comparison information on pages 39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The financial and statistical information listed as supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial and statistical information listed as 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 5, 2013, on our consideration of the Nicasio Elementary School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nicasio Elementary School District's internal control over financial reporting and compliance.

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

December 5, 2013

NICASIO ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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, 2013. 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 2011-2012 to 2012-2013 Revenue Limit sources (consisting of local property taxes) increased \$7,198.
- General Fund revenues and other sources exceeded expenditures and other uses by \$104,529.
- The General Fund ended the year with a fund balance of \$572,917, including \$15,654 in restricted funds and \$63,000 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 \$4.3 million. After depreciation, the June 30, 2013 book value for fixed assets totaled \$3.2 million.

NICASIO ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

*Fund Financial Statements (Concluded)*

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Bond Interest and Redemption 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 position was \$1.7 million at June 30, 2013. Of this amount \$521 thousand was unrestricted. Net investment in capital assets, account for \$1,022,312 of the total net position. A comparative analysis of government-wide data is presented in Table 1.

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

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Cash and investments	\$ 764,270	\$ 781,706
Receivables	72,481	26,089
Capital assets	3,232,312	3,257,520
Total assets	<u>\$ 4,069,063</u>	<u>\$ 4,065,315</u>
<b>Liabilities</b>		
Accounts payable and other current liabilities	\$ 132,911	\$ 212,813
Deferred revenue		1,006
Long-term liabilities	2,210,000	2,310,000
Total liabilities	<u>\$ 2,342,911</u>	<u>\$ 2,523,819</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 1,022,312	\$ 947,520
Restricted	183,176	183,943
Unrestricted	520,664	410,033
Total net position	<u>\$ 1,726,152</u>	<u>\$ 1,541,496</u>

NICASIO ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

The District's net position increased \$184,656 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 68 percent of total expenses. The purely administrative activities of the District accounted for just 10 percent of total costs. The remaining 22 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 Position**

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
Program revenues	\$ 166,034	\$ 100,089
General revenues		
Taxes levied for general purposes	584,331	581,458
Taxes levied for other specific purposes	145,688	140,888
Taxes levied for debt service	193,196	183,109
Federal and State Aid not restricted to specific purposes	187,381	35,416
Interest and investment earnings	808	1,329
Interagency revenues	4,668	11,646
Miscellaneous	1,847	81,338
Total revenues	<u>1,283,953</u>	<u>1,135,273</u>
<b>Expenses</b>		
Instruction	581,257	546,347
Instruction related services	132,052	120,972
Pupil support services	35,607	(69)
General administration	106,748	94,054
Plant services	110,760	104,048
Interest on long-term debt	88,004	90,429
Other	44,869	42,418
Total expenses	<u>1,099,297</u>	<u>998,199</u>
Increase (Decrease) in net position	<u>\$ 184,656</u>	<u>\$ 137,074</u>

NICASIO ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

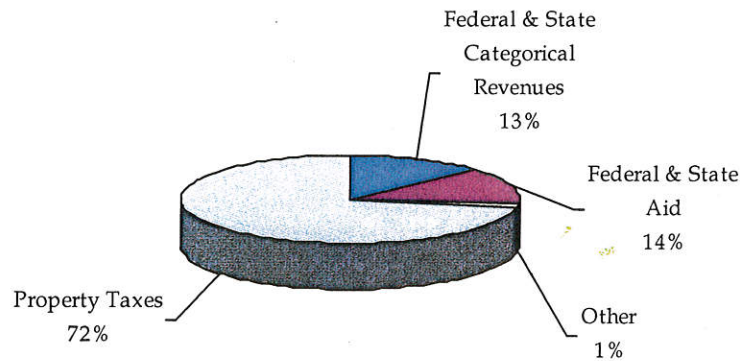
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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

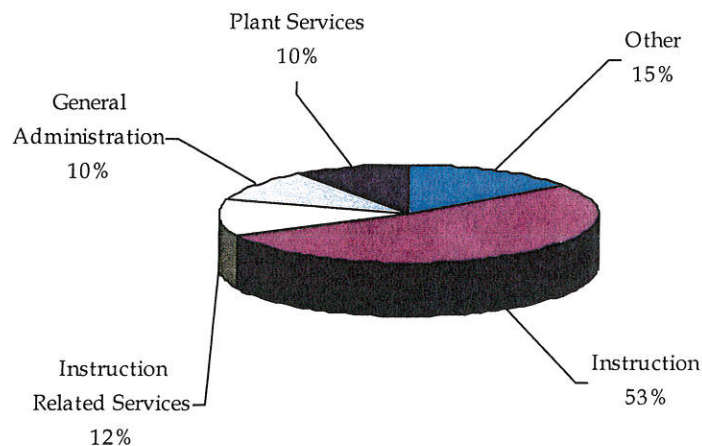
**Governmental Activities**

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$1.1 million. The amount that our local taxpayers financed for these activities through property taxes was \$923 thousand. Federal and State aid not restricted to specific purposes totaled \$187 thousand. State and Federal Categorical revenue totaled over \$166 thousand, and contributed 13% of the revenues of the entire District (see Figure 1).

**Sources of Revenue for the 2012-2013 Fiscal Year  
Figure 1**



**Expenses for the 2012-2013 Fiscal Year  
Figure 2**





NICASIO ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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## **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 \$740 thousand, an increase of \$109 thousand from the previous fiscal year's combined ending balance of \$631 thousand. The General Fund balance increased \$105 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 \$49 thousand.

The District ended the year with an increase of \$105 thousand to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of \$63,000. The District's ending reserve was \$368,348.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of the 2012-13 fiscal year, the District had invested \$4.3 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 \$58,724 for work in progress on projects not completed at June 30, 2013. After depreciation, the District's investment in fixed assets decreased \$25 thousand during fiscal year 2012-2013.

NICASIO ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**Capital Assets (Concluded)**

**Table 3**  
**Comparative Schedule of Capital Assets**  
**(net of depreciation)**  
**June 30, 2013 and 2012**

	2013	2012	Difference Increase (Decrease)
Land	\$ 53,889	\$ 53,889	
Site Improvements	40,640	44,550	\$ (3,910)
Buildings	2,928,863	3,004,502	(75,639)
Machinery and Equipment	8,291	12,674	(4,383)
Work in Process	200,629	141,905	58,724
Totals	<u>\$ 3,232,312</u>	<u>\$ 3,257,520</u>	<u>\$ (25,208)</u>

**Long-Term Debt**

At June 30, 2013, the District had \$2.2 million in long-term debt outstanding.

**Table 4**  
**Comparative Schedule of Outstanding Debt**  
**June 30, 2013 and 2012**

	2013	2012
General Obligation Bonds	<u>\$ 2,210,000</u>	<u>\$ 2,310,000</u>
Totals	<u>\$ 2,210,000</u>	<u>\$ 2,310,000</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, 2013

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

For the year 2012-2013, the District remains in basic aid status. This means that the property tax collections exceeded the calculated revenue limit.

The District has a parcel tax of \$421.82-per parcel in 2011-2012 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.

**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 Kate Lane, Nicasio Elementary School District, 5555 Nicasio Valley Road, Nicasio, CA 94946.

NICASIO ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

		<u>Governmental Activities</u>
<u>Assets</u>		
Cash (Note 2)		\$ 764,270
Accounts Receivable (Note 4)		72,481
Total Capital Assets, Net of Depreciation (Note 6)		<u>3,232,312</u>
Total Assets		<u><u>\$ 4,069,063</u></u>
<u>Liabilities</u>		
Accounts Payable and Other Current Liabilities		\$ 132,911
Long-term Liabilities (Note 9)		
Due Within One Year	\$ 110,000	
Due After One Year	<u>2,100,000</u>	
Total Long-Term Liabilities		<u>2,210,000</u>
Total Liabilities		<u><u>\$ 2,342,911</u></u>
<u>Net Position</u>		
Net Investment in Capital Assets		\$ 1,022,312
Restricted For:		
Debt Service		167,522
Education Programs		15,654
Unrestricted		<u>520,664</u>
Total Net Position		<u><u>\$ 1,726,152</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, 2013

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction	\$ 581,257	\$ 116,538	\$ (464,719)
Instruction-Related Services:			
School Site Administration	132,052	423	(131,629)
Pupil Services:			
Home-To-School Transportation	18,458	5,581	(12,877)
All Other Pupil Services	17,149	8,062	(9,087)
General Administration:			
All Other General Administration	106,748	11,614	(95,134)
Plant Services	110,760	10,250	(100,510)
Interest on Long-Term Debt	88,004		(88,004)
Other Outgo	44,869	13,566	(31,303)
Total Governmental Activities	<u>\$ 1,099,297</u>	<u>\$ 166,034</u>	<u>(933,263)</u>
General Revenues:			
Property Taxes Levied For:			
General Purposes			584,331
Debt Service			193,196
Other Specific Purposes			145,688
Federal and State Aid Not Restricted to Specific Purposes			187,381
Interest and Investment Earnings			808
Interagency Revenues			4,668
Miscellaneous			1,847
Total General Revenues			<u>1,117,919</u>
Change in Net Position			184,656
Net Position Beginning			<u>1,541,496</u>
Net Position Ending			<u>\$ 1,726,152</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash (Note 2)	\$ 596,748	\$ 167,522	\$ 764,270
Accounts Receivable (Note 4)	72,481		72,481
Total Assets	<u>\$ 669,229</u>	<u>\$ 167,522</u>	<u>\$ 836,751</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	<u>\$ 96,312</u>		<u>\$ 96,312</u>
Total Liabilities	<u>96,312</u>		<u>96,312</u>
Fund Balances (Note 1H):			
Nonspendable	1,000		1,000
Restricted	15,654	\$ 167,522	183,176
Assigned	187,915		187,915
Unassigned	<u>368,348</u>		<u>368,348</u>
Total Fund Balances	<u>572,917</u>	<u>167,522</u>	<u>740,439</u>
Total Liabilities and Fund Balances	<u>\$ 669,229</u>	<u>\$ 167,522</u>	<u>\$ 836,751</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 POSITION  
JUNE 30, 2013

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Total fund balance - governmental funds	\$	740,439
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, at historical cost:	\$	4,303,216	
Accumulated depreciation:		<u>(1,070,904)</u>	
Net:			3,232,312

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:

(36,599)

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

General obligation bonds	\$	<u>2,210,000</u>	
Total			<u>(2,210,000)</u>

Total net position - governmental activities	\$	<u><u>1,726,152</u></u>
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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, 2013

	General Fund	Bond Interest and Redemption Fund	Total Governmental Funds
<u>Revenues</u>			
Revenue Limit Sources			
State Apportionments	\$ 4,324		\$ 4,324
Local Sources	584,331		584,331
Total Revenue Limit	588,655		588,655
Federal Revenue	39,197		39,197
Other State Revenue	189,977	\$ 430	190,407
Other Local Revenue	272,784	192,908	465,692
Total Revenues	1,090,613	193,338	1,283,951
<u>Expenditures</u>			
Certificated Salaries	342,123		342,123
Classified Salaries	156,734		156,734
Employee Benefits	104,459		104,459
Books and Supplies	45,366		45,366
Services and Other			
Operating Expenditures	233,809		233,809
Capital Outlay	58,724		58,724
Debt Service:			
Principal Retirement		100,000	100,000
Interest and Fiscal Charges		88,837	88,837
Other Outgo	44,869		44,869
Total Expenditures	986,084	188,837	1,174,921
Excess of Revenues Over Expenditures	104,529	4,501	109,030
Fund Balances - July 1, 2012	468,388	163,021	631,409
Fund Balances - June 30, 2013	\$ 572,917	\$ 167,522	\$ 740,439

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, 2013

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Net change in fund balances - total governmental funds	\$	109,030
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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:	\$	58,724	
Depreciation expense:		(83,932)	
Net:			(25,208)

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:		100,000
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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:		834
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Total change in net position - governmental activities	\$	184,656
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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, 2013

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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 position 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, 2013

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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, 2013

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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, 2013

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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.

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.

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.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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.



NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

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.

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, 2013.

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 Position.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - 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.

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

8. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position 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 appropriable 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, 2013

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, 2013 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Total
Nonspendable:			
Revolving Fund	\$ 1,000		\$ 1,000
Total Nonspendable Fund Balance	<u>1,000</u>		<u>1,000</u>
Restricted For:			
Legally Restricted Categorical Funding	15,654		15,654
Debt Service		\$ 167,522	167,522
Total Restricted Fund Balance	<u>15,654</u>	<u>167,522</u>	<u>183,176</u>
Assigned For:			
Board Designated Reserve	135,219		135,219
Special Education	25,000		25,000
Carryover in Instructional Materials	666		666
Facility Maintenance Projects	17,842		17,842
Instructional Technology Upgrade	9,188		9,188
Total Assigned Fund Balance	<u>187,915</u>	<u>0</u>	<u>187,915</u>
Unassigned:			
Reserve for Economic Uncertainties	63,000		63,000
Other Unassigned	305,348		305,348
Total Unassigned Fund Balance	<u>368,348</u>	<u>0</u>	<u>368,348</u>
Total Fund Balances	<u>\$ 572,917</u>	<u>\$ 167,522</u>	<u>\$ 740,439</u>

*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.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

9. Fund Equity (Concluded)

*Fund Balance Policy (Concluded)*

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of \$63,000, as recommended by the State of California, plus \$135,219.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

10. Revenue Limit/Property Tax

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

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* providing financial reporting guidance for service concession arrangements (SCAs). Although this statement is effective for fiscal year 2012-2013, the District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

The GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* in November 2010. GASB 61 provides criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring the financial reporting entity includes only organizations which the elected officials are financially accountable or that are determined by the District to be misleading to exclude. This statement is effective beginning in fiscal year 2013-2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

The GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* in December 2010. GASB 62 incorporates into authoritative literature guidance that is included in pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board (FASB), Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures, which does not conflict with or contradict GASB pronouncements. The District was required to implement the Statement 62 in fiscal year 2012-2013, although adoption of Statement 62 does not have any impact on the District's financial statements.

The GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in June 2011. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The District was required to implement the Statement 63 in fiscal year 2012-13.

The GASB issued Statement 65, *Items previously reported as Assets and Liabilities* in March, 2013. GASB 65 was intended to compliment Statement No. 63 by identifying items previously reported as assets and liabilities that should be classified as deferred outflows or deferred inflows going forward. This statement is effective beginning in fiscal year 2013-2014.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25* in June 2012 to improve financial reporting by state and local governmental pension plans with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective beginning in fiscal year 2013-2014.

NOTE 2 - CASH

A. Summary of Cash

The District had the following cash at June 30, 2013:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash in Revolving Fund	\$ 1,000	\$ 1,000	Not Rated
Cash in County Treasury	763,205	763,270	Not Rated
Total	<u>\$ 764,205</u>	<u>\$ 764,270</u>	

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be ladderized and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2013 the carrying amount of the District's accounts was \$1,000, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$821,507,533. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$821,437,240. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Interest Rate Risk (Concluded) - The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>4 or More</u>
Country Treasury	<u>\$763,205</u>	<u>\$660,622</u>	<u>\$102,423</u>	<u>\$ 160</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations for the year ended June 30, 2013 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Certificated Salaries	\$ 1,778
Classified Salaries	576
Capital Outlay	739

The District incurred unanticipated expenditures for which the budgets were not revised.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consist of the following:

	<u>General Fund</u>
Federal Government	
Categorical Aid Programs	\$ 36,365
State Government	
Categorical Aid Programs	12,852
Lottery	3,995
Other	19,269
Total State Government	36,116
Total Accounts Receivable	\$ 72,481

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.



NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Receivables / Payables (Due From / Due To)

As of June 30, 2013, there were no interfund receivables and payables.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. As of June 30, 2013, there were no interfund transfers.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 53,889			\$ 53,889
Work in progress	141,905	\$ 58,724		200,629
Total capital assets, not being depreciated	195,794	58,724	\$ 0	254,518
Capital assets being depreciated:				
Buildings	3,755,624			3,755,624
Improvements of sites	264,425			264,425
Equipment	28,649			28,649
Total capital assets, being depreciated	4,048,698	0	0	4,048,698
Less accumulated depreciation for:				
Buildings	751,122	75,639		826,761
Improvements of sites	219,875	3,910		223,785
Equipment	15,975	4,383		20,358
Total accumulated depreciation	986,972	83,932	0	1,070,904
Total capital assets, being depreciated, net	3,061,726	(83,932)	0	2,977,794
Governmental activities capital assets, net	\$ 3,257,520	\$ (25,208)	\$ 0	\$ 3,232,312



NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	<u>\$83,932</u>
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NOTE 7 - GENERAL OBLIGATION BONDS

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

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

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

The outstanding bonded debt of Nicasio Elementary School District at June 30, 2013 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 01, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
2010	2.00-4.5	2025	<u>\$ 2,440,000</u>	<u>\$ 2,310,000</u>	<u>\$ 100,000</u>	<u>\$ 2,210,000</u>
Total			<u>\$ 2,440,000</u>	<u>\$ 2,310,000</u>	<u>\$ 100,000</u>	<u>\$ 2,210,000</u>

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the General Obligation Refunding Series 2011 Bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	\$ 110,000	\$ 86,188	\$ 196,188
2015	115,000	82,812	197,812
2016	130,000	79,138	209,138
2017	140,000	74,387	214,387
2018	155,000	68,488	223,488
2019-2023	1,015,000	231,744	1,246,744
2024-2025	545,000	24,925	569,925
Totals	<u>\$ 2,210,000</u>	<u>\$ 647,682</u>	<u>\$ 2,857,682</u>

NOTE 8 - OPERATING LEASES

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

NOTE 9 - LONG-TERM DEBT

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
General Obligation Bonds	\$ 2,310,000		\$ 100,000	\$ 2,210,000	\$ 110,000
Totals	<u>\$ 2,310,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 2,210,000</u>	<u>\$ 110,000</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

*Plan Description.* The Nicasio Elementary School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95610.

*Funding Policy.* Active plan members are required to contribute 8.0% of their salary and the Nicasio Elementary School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Nicasio Elementary School District's contributions to STRS for the fiscal year ending June 30, 2013, 2012, and 2011 were \$23,375, \$28,539 and \$30,466, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees Retirement System (CalPERS)

*Plan Description.* The Nicasio Elementary School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 Q Street, Room 1820 - Sacramento, CA 95814.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

*Funding Policy.* Active plan members are required to contribute 7.0% of their salary and the Nicasio Elementary School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by State statute. The Nicasio Elementary School District's contributions to CalPERS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$18,481, \$5,164 and \$4,154, respectively and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 11 - RISK MANAGEMENT

A. 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, 2013, the District contracted with Marin Schools Insurance Authority (MSIA) for property and liability insurance coverage and MSIA for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 11 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2013, the District participated in the MSIA, an insurance purchasing pool. The intent of the MSIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MSIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the MSIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the MSIA. Participation in the MSIA is limited to districts that can meet the MSIA selection criteria.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

From time to time Districts are involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, currently, there is no litigation pending expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

B. State and Federal Allowance, Award, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NOTE 13 - JOINT VENTURES

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

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The Board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board.

NICASIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 13 - JOINT VENTURES (CONCLUDED)

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

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

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2013, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION





NICASIO ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionments		\$ 4,324	\$ 4,324	
Local Sources	\$ 564,377	585,517	584,331	\$ (1,186)
Total Revenue Limit	564,377	589,841	588,655	(1,186)
Federal Revenue	21,446	39,629	39,197	(432)
Other State Revenue	38,545	185,378	189,977	4,599
Other Local Revenue	222,477	275,319	272,784	(2,535)
Total Revenues	846,845	1,090,167	1,090,613	446
<u>Expenditures</u>				
Certificated Salaries	326,464	340,345	342,123	(1,778)
Classified Salaries	135,351	156,158	156,734	(576)
Employee Benefits	90,205	104,628	104,459	169
Books and Supplies	12,202	71,988	45,366	26,622
Services and Other				
Operating Expenditures	176,853	255,254	233,809	21,445
Capital Outlay		57,985	58,724	(739)
Other Outgo	48,000	55,257	44,869	10,388
Total Expenditures	789,075	1,041,615	986,084	55,531
Excess of Revenues Over Expenditures	57,770	48,552	104,529	55,977
Fund Balances - July 1, 2012	468,389	468,388	468,388	0
Fund Balances - June 30, 2013	\$ 526,159	\$ 516,940	\$ 572,917	\$ 55,977

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NICASIO ELEMENTARY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

SUPPLEMENTARY INFORMATION



# NICASIO ELEMENTARY SCHOOL DISTRICT

NICASIO, CALIFORNIA

JUNE 30, 2013

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## ORGANIZATION

The District is in Nicasio, California. The District currently operates one elementary school, which provides education to pupils in kindergarten through eighth grade. There were no changes in District boundaries during the current year.

## BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term expires</u>
Kim Wallach	President	November, 2013
Madeline Sloane	Clerk	November, 2013
Holly McArthur	Trustee	November, 2015

## ADMINISTRATION

Dr. Thomas Lohwasser  
Superintendent

Kate Lane  
Senior Director Business Services

NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	6	6
First through Third	16	16
Fourth through Sixth	12	12
Seventh and Eighth	11	11
Special Education	<u>1</u>	<u>1</u>
Totals	<u>46</u>	<u>46</u>

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME OFFERED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Grade Level	1986-1987 Minutes Requirement	1982-1983 Actual Minutes	2012-2013 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	32,250	39,340	180	In Compliance
Grade 1	50,400	52,500	54,520	180	In Compliance
Grade 2	50,400	52,500	54,520	180	In Compliance
Grade 3	50,400	52,500	54,520	180	In Compliance
Grade 4	54,000	52,500	54,520	180	In Compliance
Grade 5	54,000	52,500	54,520	180	In Compliance
Grade 6	54,000	52,500	54,520	180	In Compliance
Grade 7	54,000	52,500	54,520	180	In Compliance
Grade 8	54,000	52,500	54,520	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction 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 either the 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201.

Commencing with the 2009-2010 school year and continuing through the 2014-2015 school year, a school district may reduce the equivalent of up to five days of instruction or the equivalent instructional minutes without incurring penalties, as described in *Education Code* Section 46201.2

NICASIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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This schedule is provided to list all charter schools chartered by the District and displays information for each charter school whether or not the charter school is included in the District audit. There were no charter schools in the Nicasio Elementary School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION



NICASIO ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Deferred Maintenance Fund
June 30, 2013, Annual Unaudited Actual Financial Report Fund Balance	\$ 555,075	\$ 17,842
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:		
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	17,842	(17,842)
Net Adjustments and Reclassifications	17,842	(17,842)
June 30, 2013, Audited Financial Statement Fund Balance	\$ 572,917	\$ 0

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2013.

NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budget 2013-2014	2012-2013	2011-2012	2010-2011
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 867,473	\$ 1,090,613	\$ 947,065	\$ 918,647
Expenditures	953,069	986,084	955,069	890,855
Other Uses and Transfers Out	0	0	0	7,200
Total Outgo	953,069	986,084	955,069	898,055
Change in Fund Balance (Deficit)	(85,596)	104,529	(8,004)	20,592
Ending Fund Balance	\$ 437,851	\$ 572,917	\$ 468,388	\$ 476,392
Available Reserves	\$ 254,389	\$ 368,348	\$ 257,626	\$ 286,442
Reserve for Economic Uncertainties	\$ 63,000	\$ 63,000	\$ 60,000	\$ 60,000
Unassigned Fund Balance	\$ 191,389	\$ 305,348	\$ 197,626	\$ 226,442
Available Reserves as a Percentage of Total Outgo	26.7%	37.4%	27.0%	31.9%
Total Long-Term Debt	\$ 2,100,000	\$ 2,210,000	\$ 2,310,000	\$ 2,456,337
Average Daily Attendance at P-2	51	46	40	41

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.

Available reserves includes General Fund designated for economic uncertainties and General Fund unassigned fund balance. The General Fund balance has increased \$117,117 over the past three years. The fiscal year 2013-2014 budget projects a decrease of \$85,596 in the General Fund balance. For a District this size, the state recommends available reserves of at least \$63,000.

Total long-term debt has decreased by \$246,337 over the past two years. Total average daily attendance has increased by 5 over the past two years.

Amounts shown as Budget 2013-2014 is presented for additional analysis and has not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NICASIO ELEMENTARY SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.



OTHER INDEPENDENT AUDITOR'S REPORTS 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 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 Trustees  
Nicasio Elementary School District  
Nicasio, California

We have audited, 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, the financial statements of the governmental activities and each major fund of Nicasio Elementary School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Nicasio Elementary School District's basic financial statements and have issued our report thereon dated December 5, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Nicasio Elementary 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 Nicasio Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nicasio Elementary 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Nicasio Elementary 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 5, 2013



# 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 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees  
Nicasio Elementary School District  
Nicasio, California

We have audited Nicasio Elementary School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* that could have a direct and material effect on each of Nicasio Elementary School District's State government programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of Nicasio Elementary School District's State government 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 the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Nicasio Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of Nicasio Elementary School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	6	Yes
Teacher certification and mis-assignments	3	Yes
Kindergarten Continuance	3	Yes

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Independent study	23	No (see below)
Continuation education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Yes
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	4	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

#### Opinion on Each State Government Program

In our opinion, Nicasio Elementary 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 State government programs for the year ended June 30, 2013.

#### Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

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

December 5, 2013

## FINDINGS AND RESPONSES SECTION



NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified  
that are not considered to be material  
weakness? ☐ Yes ☒ None reported

Noncompliance material to financial  
statements noted?

☐ Yes ☒ No

*State Awards*

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified  
that are not considered to be material  
weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance  
for state programs:

Unqualified

NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**Section II - Financial Statements Findings**

No matters are reported.

**Section III - Federal Award Findings and Responses**

No matters are reported.

**Section IV - State Award Findings and Responses**

No matters are reported.

NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. The District should create unique login and password information for each employee and ensure the employees protect their passwords to properly restrict employee access and ensure proper segregation of duties.	Accepted Implemented	

