

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
COUNTY OF MARIN
SAN GERONIMO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2011

LAGUNITAS ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2011

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LAGUNITAS ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2011

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lagunitas Elementary School District
San Geronimo, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lagunitas Elementary School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lagunitas Elementary School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Lagunitas Elementary School District, which consists of all funds that comprise the District's legal entity. The financial statements do not include the financial data of the Lead, Enrich, Achieve, Progress Foundation, the District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of Lagunitas Elementary School District, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lagunitas Elementary School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of Lagunitas Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 13, the budgetary comparison information on pages 43 and 45, and the schedule of funding progress on page 50 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lagunitas Elementary School District's basic financial statements. The combining fund financial statements, supplementary schedules listed in the table of contents, and the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

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

(PREPARED BY DISTRICT MANAGEMENT)

This section of Lagunitas Elementary School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's financial status improved during fiscal year 2010-11, as total net assets increased 2.4%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$196,612.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded current year revenues and other financing sources by \$495,301.
- Capital assets, net of depreciation, increased \$510,698, due to the current year addition of \$699,392 of capital improvements, and the current year recognition of \$188,694 of depreciation expense.
- Total long-term liabilities decreased \$192,048, due to the current year reduction of the District's obligation for general obligation bonds and capital leases.
- The District's P-2 ADA increased from 269 ADA in fiscal year 2009-10, up to 272 ADA in fiscal year 2010-11, an increase of 1.1%.
- The District's General Fund incurred an operating deficit of \$86,698, and recognized a \$60,799 decrease in available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2010-11, General Fund expenditures and other financing uses totaled \$3,183,973. At June 30, 2011, the District has available reserves of \$1,247,155 in the General Fund, which represents a reserve of 39.2%.

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

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

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

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

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

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

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

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net assets increased from \$8,188,854 at June 30, 2010, up to \$8,385,466 at June 30, 2011, an increase of 2.4%.

<u>Comparative Statement of Net Assets</u>		
	Governmental Activities	
	2010	2011
<u>Assets</u>		
Deposits and Investments	\$ 2,820,482	\$ 2,191,315
Receivables	159,836	250,943
Prepaid Expenses	125,388	113,056
Capital Assets, net	8,088,044	8,598,742
Total Assets	11,193,750	11,154,056
<u>Liabilities</u>		
Current	521,658	494,542
Long-term	2,483,238	2,274,048
Total Liabilities	3,004,896	2,768,590
<u>Net Assets</u>		
Invested in Capital Assets		
- Net of Related Debt	6,051,699	6,743,366
Restricted for Capital Projects	51,829	75,006
Restricted for Debt Service	(518,332)	(454,313)
Restricted for Educational Programs	77,699	132,552
Restricted for Other Purposes *	1,500	5,000
Unrestricted *	2,524,459	1,883,855
Total Net Assets	\$ 8,188,854	\$ 8,385,466

Table includes financial data of the combined governmental funds

* Prior year balances have been adjusted to ensure comparability between fiscal years.

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

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$196,612.

	Governmental Activities	
	2010	2011
<u>Program Revenues</u>		
Charges for Services	\$ 44,552	\$ 43,267
Operating Grants & Contributions	513,066	543,989
<u>General Revenues</u>		
Taxes Levied	2,435,215	2,507,410
Federal & State Aid	662,834	650,964
Interest & Investment Earnings	19,167	10,730
Miscellaneous	313,356	47,940
Total Revenues	3,988,190	3,804,300
<u>Expenses</u>		
Instruction	1,832,808	1,960,885
Instruction-Related Services	318,573	316,984
Pupil Services	202,952	233,405
General Administration	495,216	517,282
Plant Services	423,906	360,733
Interest on Long-Term Debt	109,344	130,056
Other Outgo	104,381	88,343
Total Expenses	3,487,180	3,607,688
Change in Net Assets	\$ 501,010	\$ 196,612

Table includes financial data of the combined governmental funds

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

(PREPARED BY DISTRICT MANAGEMENT)

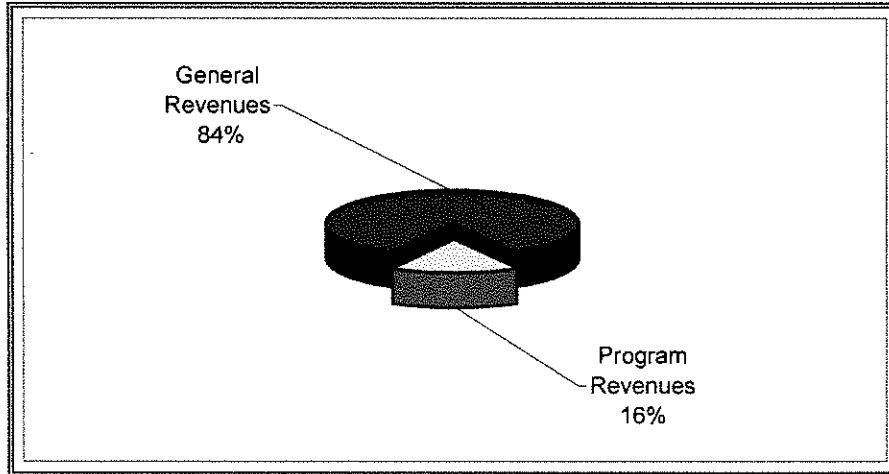
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2010	2011	2010	2011
	Instruction	\$ 1,832,808	\$ 1,960,885	\$ 1,471,965
Instruction-Related Services	318,573	316,984	281,871	293,279
Pupil Services	202,952	233,405	72,397	106,873
General Administration	495,216	517,282	481,605	500,297
Plant Services	423,906	360,733	423,906	360,465
Interest on Long-Term Debt	109,344	130,056	109,344	130,056
Other Outgo	104,381	88,343	88,474	64,947
Totals	\$ 3,487,180	\$ 3,607,688	\$ 2,929,562	\$ 3,020,432

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$3,020,432 cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



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

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

(PREPARED BY DISTRICT MANAGEMENT)

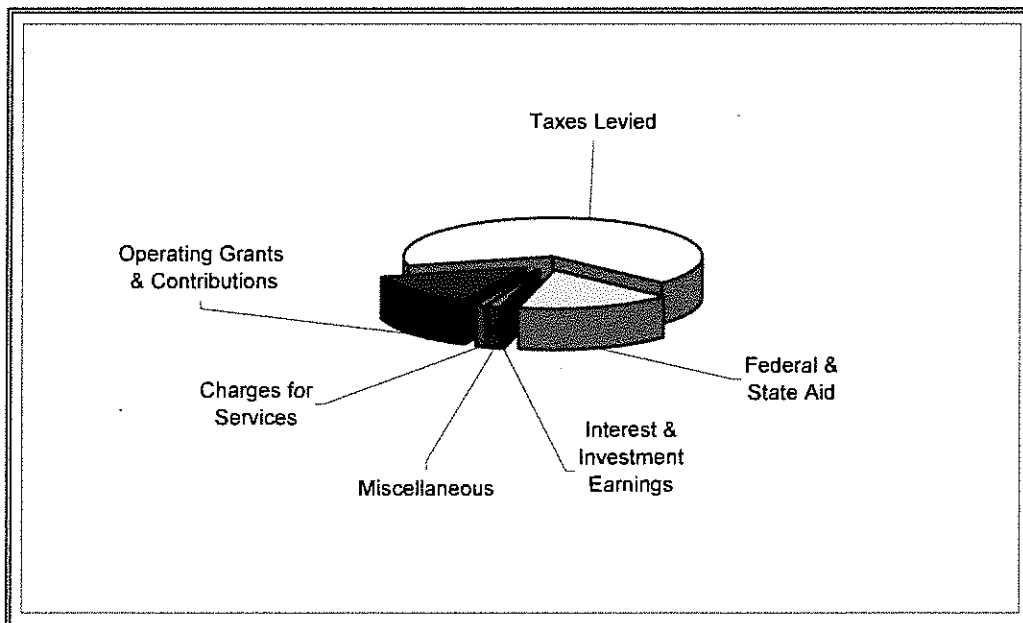
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 44,552	1.12%	\$ 43,267	1.14%
Operating Grants & Contributions	513,066	12.86%	543,989	14.30%
<u>General Revenues</u>				
Taxes Levied	2,435,215	61.06%	2,507,410	65.91%
Federal & State Aid	662,834	16.62%	650,964	17.11%
Interest & Investment Earnings	19,167	0.48%	10,730	0.28%
Miscellaneous	313,356	7.86%	47,940	1.26%
Total Revenues	\$ 3,988,190	100.00%	\$ 3,804,300	100.00%

Table includes financial data of the combined governmental funds



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

(PREPARED BY DISTRICT MANAGEMENT)

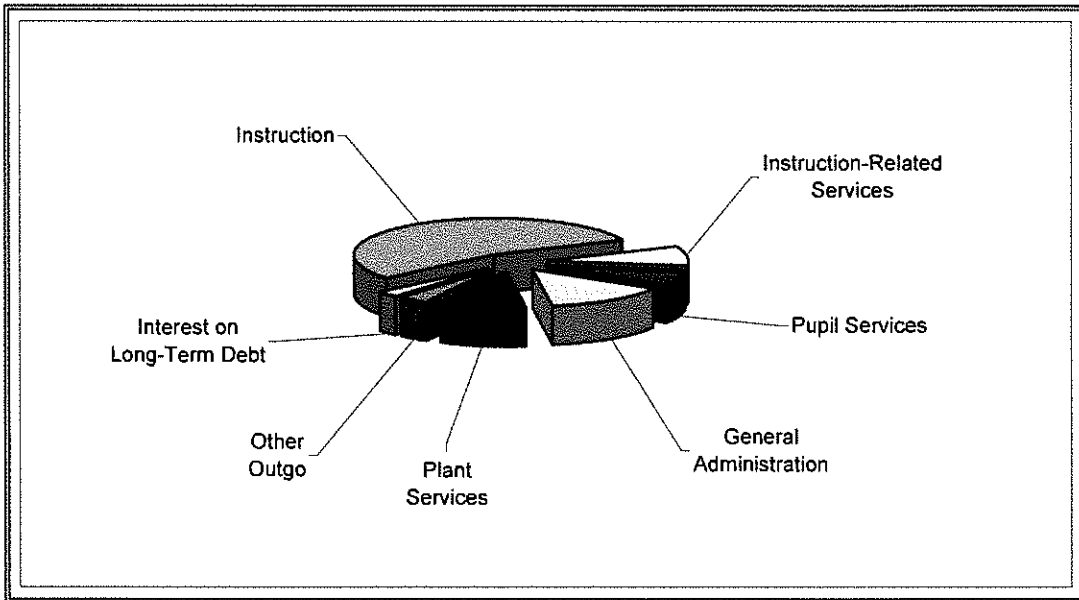
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 1,832,808	52.56%	\$ 1,960,885	54.35%
Instruction-Related Services	318,573	9.14%	316,984	8.79%
Pupil Services	202,952	5.82%	233,405	6.47%
General Administration	495,216	14.20%	517,282	14.34%
Plant Services	423,906	12.16%	360,733	10.00%
Interest on Long-Term Debt	109,344	3.14%	130,056	3.60%
Other Outgo	104,381	2.99%	88,343	2.45%
Total Expenses	<u>\$ 3,487,180</u>	<u>100.00%</u>	<u>\$ 3,607,688</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Comparative Schedule of Capital Assets</u>	
	Governmental Activities	
	2010	2011
Land	\$ 245,848	\$ 245,848
Sites and Improvements	1,645,545	1,645,545
Buildings and Improvements	6,104,547	10,623,715
Furniture and Equipment	232,520	232,520
Work-in-Progress	3,819,776	0
Subtotals	12,048,236	12,747,628
Less: Accumulated Depreciation	(3,960,192)	(4,148,886)
Capital Assets, net	<u>\$ 8,088,044</u>	<u>\$ 8,598,742</u>

Capital assets, net of depreciation, increased \$510,698, due to the current year addition of \$699,392 of capital improvements, and the current year recognition of \$188,694 of depreciation expense.

	<u>Comparative Schedule of Long-Term Liabilities</u>	
	Governmental Activities	
	2010	2011
General Obligation Bonds	\$ 2,159,002	\$ 2,005,907
Capital Lease	577,000	530,847
Other Post Employment Benefits	2,328	9,528
Totals	<u>\$ 2,738,330</u>	<u>\$ 2,546,282</u>

Total long-term liabilities decreased \$192,048, due to the current year reduction of the District's obligation for general obligation bonds and the capital lease.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by local taxpayers and represent 79% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues.

The capital lease is financed by the Deferred Maintenance Fund and represents 21% of the District's total long-term liabilities.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	<u>Fund Balances June 30, 2010</u>	<u>Fund Balances June 30, 2011</u>	<u>Increase (Decrease)</u>
General	\$ 1,471,405	\$ 1,384,707	\$ (86,698)
Deferred Maintenance	1,134,581	646,228	(488,353)
Cafeteria	0	0	
Bond Interest & Redemption	75,299	131,872	56,573
Capital Facilities	26,996	32,974	5,978
County School Facilities	24,833	37,382	12,549
Capital Projects - Special Reserve	0	4,650	4,650
Totals	<u>\$ 2,733,114</u>	<u>\$ 2,237,813</u>	<u>\$ (495,301)</u>

The combined fund balances of all District funds decreased \$495,301, which includes an \$86,698 decrease in the fund balance of the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original budget presented on page 43 includes only new revenues for 2010-11.

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

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The District is expected to maintain its basic aid status during fiscal year 2011-12.
- The District currently receives revenue limit funding for students who reside in other school districts. As of June 30, 2011, "District of Choice" funding has been authorized through fiscal year 2016-17. If this type of funding is ever discontinued in the future, the District will no longer receive revenue limit funding for these students.
- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Lagunitas Elementary School District, P.O. Box 308, San Geronimo, CA 94963

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 2,191,315
Receivables (Note 4)	250,943
Prepaid Expenses (Note 1J)	113,056
Capital Assets: (Note 6)	
Land	245,848
Sites and Improvements	1,645,545
Buildings and Improvements	10,623,715
Furniture and Equipment	232,520
Less: Accumulated Depreciation	(4,148,886)
Total Assets	11,154,056
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	182,872
Deferred Revenue (Note 1J)	39,436
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
General Obligation Bonds	
Current Interest	105,000
Capital Appreciation	118,833
Capital Lease	48,401
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 7)	
Current Interest	950,000
Capital Appreciation	832,074
Capital Lease (Note 8)	482,446
Other Post Employment Benefits (Note 9)	9,528
Total Liabilities	2,768,590
<u>Net Assets</u>	
Investment in Capital Assets, Net of Related Debt	6,743,366
Restricted:	
For Capital Projects	75,006
For Debt Service	(454,313)
For Educational Programs	132,552
For Other Purposes	5,000
Unrestricted	1,883,855
Total Net Assets	\$ 8,385,466

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 1,960,885		\$ 396,370		\$ (1,564,515)
Instruction-Related Services:					
Instructional Library and Technology	63,956		18,412		(45,544)
School Site Administration	253,028		5,293		(247,735)
Pupil Services:					
Home-to-School Transportation	69,477		35,439		(34,038)
Food Services	84,128	\$ 43,267	24,056		(16,805)
Other Pupil Services	79,800		23,770		(56,030)
General Administration:					
Other General Administration	517,282		16,985		(500,297)
Plant Services	360,733		268		(360,465)
Interest on Long-Term Debt	130,056				(130,056)
Other Outgo	88,343		23,396		(64,947)
Total Governmental Activities	<u>\$ 3,607,688</u>	<u>\$ 43,267</u>	<u>\$ 543,989</u>	<u>\$ 0</u>	<u>(3,020,432)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					1,666,237
Taxes Levied for Debt Service					308,823
Taxes Levied for Specific Purposes					532,350
Federal and State Aid - Unrestricted					650,964
Interest and Investment Earnings					10,730
Miscellaneous					47,940
Total General Revenues					<u>3,217,044</u>
Change in Net Assets					196,612
Net Assets - July 1, 2010					8,188,854
Net Assets - June 30, 2011					<u>\$ 8,385,466</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Deferred Maintenance</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments (Note 2)	\$ 1,357,525	\$ 646,228	\$ 187,562	\$ 2,191,315
Receivables (Note 4)	225,998		24,945	250,943
Total Assets	<u>\$ 1,583,523</u>	<u>\$ 646,228</u>	<u>\$ 212,507</u>	<u>\$ 2,442,258</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 159,380		\$ 5,629	\$ 165,009
Deferred Revenue (Note 1J)	39,436			39,436
Total Liabilities	<u>198,816</u>		<u>5,629</u>	<u>204,445</u>
Fund Balances: (Note 11)				
Nonspendable	5,000			5,000
Restricted	132,552		164,846	297,398
Assigned		\$ 646,228	42,032	688,260
Unassigned	1,247,155			1,247,155
Total Fund Balances	<u>1,384,707</u>	<u>646,228</u>	<u>206,878</u>	<u>2,237,813</u>
Total Liabilities and Fund Balances	<u>\$ 1,583,523</u>	<u>\$ 646,228</u>	<u>\$ 212,507</u>	<u>\$ 2,442,258</u>

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 2,237,813

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:

Capital Assets	\$ 12,747,628	
Accumulated Depreciation	<u>(4,148,886)</u>	
		8,598,742

Unamortized costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenditures, at year-end consist of:

Deferred Charges - Discount	2,398	
Deferred Charges - Costs of Issuance	70,006	
Deferred Charges - Refunding	<u>40,652</u>	
		113,056

In governmental funds, the unmatured interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was: (17,863)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	2,005,907	
Capital Lease	530,847	
Other Post Employment Benefits	<u>9,528</u>	
		<u>(2,546,282)</u>

Total Net Assets - Governmental Activities \$ 8,385,466

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

	<u>General Fund</u>		<u>Deferred Maintenance</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>District</u>	<u>Foundation</u>			
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 119,963				\$ 119,963
Local Taxes	1,666,237				1,666,237
Total Revenue Limit Sources	1,786,200				1,786,200
Federal Revenue	114,054			\$ 22,548	136,602
State Revenue	284,881		\$ 287,313	4,893	577,087
Local Revenue	878,797	\$ 33,343	3,462	388,809	1,304,411
Total Revenues	3,063,932	33,343	290,775	416,250	3,804,300
<u>Expenditures</u>					
Instruction	1,844,516				1,844,516
Instructional Library and Technology	60,395				60,395
School Site Administration	238,941				238,941
Home-To-School Transportation	65,609				65,609
Food Services				79,444	79,444
Other Pupil Services	75,357				75,357
Other General Administration	488,303			180	488,483
Plant Services	318,286		18,708	3,299	340,293
Facilities Acquisition and Construction			686,167	13,582	699,749
Debt Service:					
Principal Retirement			46,153	210,000	256,153
Interest and Issuance Costs			28,100	42,116	70,216
Other Outgo	80,445				80,445
Total Expenditures	3,171,852	0	779,128	348,621	4,299,601
Excess of Revenues Over (Under) Expenditures	(107,920)	33,343	(488,353)	67,629	(495,301)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	33,343			12,121	45,464
Operating Transfers Out	(12,121)	(33,343)			(45,464)
Total Other Financing Sources (Uses)	21,222	(33,343)	0	12,121	0
Net Change in Fund Balances	(86,698)	0	(488,353)	79,750	(495,301)
Fund Balances - July 1, 2010	1,471,405	0	1,134,581	127,128	2,733,114
Fund Balances - June 30, 2011	\$ 1,384,707	\$ 0	\$ 646,228	\$ 206,878	\$ 2,237,813

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ (495,301)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year:

Capital Outlays	\$ 699,392	
Depreciation Expense	(188,694)	
		510,698

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (7,200)

Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period are:

Cost of Issuance Amortized	7,637	
Bond Discounts Amortized	261	
Bond Refunding Amortized	4,434	
		(12,332)

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

General Obligation Bonds	210,000	
Capital Lease	46,153	
		256,153

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities decreased by: 1,499

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was: (56,905)

Change in Net Assets of Governmental Activities \$ 196,612

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds	Total Fiduciary Funds
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Restricted	\$ 0	\$ 0
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Lagunitas Elementary School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the District, which comprises an area in Marin County. The District serves students in kindergarten through grades eight.

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

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

B. Reporting Entity

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

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of the component units' relationship with the District. The District has determined that the Lead, Enrich, Achieve, Progress (LEAP) Foundation meets the criteria set forth in GASB 39. However, audited financial statements were not available from the component unit for inclusion in the District's financial statements. Accordingly, only the financial activities of the component unit that flow through the District are presented on page 18 under the caption "Foundation"

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Pronouncements

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition*, with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

D. Basis of Presentation

Government-wide Financial Statements:

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Concluded)

Deferred Revenue:

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

Expenses/Expenditures:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Fund Accounting

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Concluded)

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

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund. The financial activities of the General Fund have been divided into two separate columns on the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances. The first column reflects the revenues received from *District* sources along with all of the expenditures of the General Fund. The second column reflects the revenues received for General Fund purposes that are provided by the *Foundation*. This presentation has been included to reflect the resources that flow through the District from the Lead, Enrich, Achieve, Progress Foundation, the District's legally separate component unit.

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

Non-major Governmental Funds:

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

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

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

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

Capital Projects - Special Reserve Fund is used to account for capital outlay and major repairs and maintenance.

Fiduciary Funds:

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

G. Budgets and Budgetary Accounting

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Deferred Maintenance Fund as required supplementary information on pages 43 and 45.

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

H. Use of Estimates

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

I. Encumbrances

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

J. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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

2. Prepaid Expenses

Prepaid expenses include bond discounts, bond refunding costs, and costs of issuance associated with bond issues, which are amortized over the life of the bond obligation. Reported expenses are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	10-50
Furniture and Equipment	8-50

4. Deferred Revenue

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

5. Compensated Absences

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses.

7. Fund Balance Classification

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

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Superintendent and Business Manager have been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District is required to maintain a Reserve for Economic Uncertainties, consisting of unassigned amounts equal to 8% of General Fund expenditures and other financing uses.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Liabilities and Equity (Concluded)

7. Fund Balance Classification (Concluded)

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

8. Revenue Limit/Property Tax

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

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

Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

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

The District receives funding under the Basic Aid Provision and receives 70% of the revenue limit of transferring non-Basic school districts of residence multiplied by the average daily attendance reported on the P-2 Report of Attendance for Basic Aid "Choice" Pupil Transfer Programs.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, consist of the following:

	<u>Governmental Activities</u>
Cash on Hand and in Banks	\$ 500
Cash in Revolving Fund	5,000
County Pool Investments	<u>2,185,815</u>
 Total Deposits and Investments	 <u>\$ 2,191,315</u>

Cash on Hand and in Banks

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

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

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

General Authorization

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization (Concluded)

Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 2,185,815	\$ 2,187,416	\$ 1,675,339	\$ 510,476

Credit Risk

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 2,185,815	\$ 2,187,416			\$ 2,185,815

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District does not have a bank balance that is exposed to custodial credit risk.

Custodial Credit Risk - Investments

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

Derivative Investments

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds were as follows:

	<u>Excess Expenditures</u>
<u>General Fund:</u>	
Certificated Salaries	\$ 514
Books & Supplies	4,733

The District incurred unanticipated expenditures in excess of appropriations in each of the above expenditure classifications for which the budget was revised.

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 38,676	\$ 5,635	\$ 44,311
State Government	121,407	360	121,767
Local Governments	19,758		19,758
Miscellaneous	<u>46,157</u>	<u>18,950</u>	<u>65,107</u>
Totals	<u>\$ 225,998</u>	<u>\$ 24,945</u>	<u>\$ 250,943</u>

NOTE 5 - INTERFUND ACTIVITIES

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. 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.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2010-11 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General - District	\$ 33,343	\$ 12,121
General - Foundation Cafeteria	<u>12,121</u>	<u>33,343</u>
Totals	<u>\$ 45,464</u>	<u>\$ 45,464</u>

Transfer of \$33,343 contribution from General Fund - Foundation to General Fund - District to support educational programs.

Transfer of \$12,121 from General Fund - District to Cafeteria Fund to support child nutrition programs.

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

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2011, is presented below:

	Balances July 1, 2010	Additions	Deletions	Balances June 30, 2011
Land	\$ 245,848			\$ 245,848
Sites and Improvements	1,645,545			1,645,545
Buildings and Improvements	6,104,547	\$ 4,519,168		10,623,715
Furniture and Equipment	232,520			232,520
Work-in-Progress	3,819,776	699,392	\$ 4,519,168	0
Totals at Historical Cost	12,048,236	5,218,560	4,519,168	12,747,628
Less Accumulated Depreciation for:				
Sites and Improvements	1,462,975	10,433		1,473,408
Buildings and Improvements	2,377,325	164,831		2,542,156
Furniture and Equipment	119,892	13,430		133,322
Total Accumulated Depreciation	3,960,192	188,694	0	4,148,886
Governmental Activities Capital Assets, net	\$ 8,088,044	\$ 5,029,866	\$ 4,519,168	\$ 8,598,742

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 109,169
Instructional Library, Media, and Technology	3,561
School Site Administration	14,087
Home-to-School Transportation	3,868
Food Services	4,684
Other Pupil Services	4,443
Other General Administration	28,799
Plant Services	20,083

Total Depreciation Expense \$ 188,694

NOTE 7 - GENERAL OBLIGATION BONDS

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

A. Current Interest Bonds

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2011
2005	3.0-4.0	8/1/21	<u>\$ 1,540,000</u>	<u>\$ 1,155,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 1,055,000</u>

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

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 105,000	\$ 37,585	\$ 142,585
2013	100,000	34,129	134,129
2014	105,000	30,541	135,541
2015	110,000	26,724	136,724
2016	105,000	22,841	127,841
2017-2021	530,000	52,669	582,669
Totals	<u>\$ 1,055,000</u>	<u>\$ 204,489</u>	<u>\$ 1,259,489</u>

B. Capital Appreciation Bonds

<u>Date</u> <u>Of</u> <u>Issue</u>	<u>Interest</u> <u>Rate %</u>	<u>Maturity</u> <u>Date</u>	<u>Amount of</u> <u>Original</u> <u>Issue</u>	<u>Outstanding</u> <u>July 1, 2010</u>	<u>Accreted</u> <u>Interest</u> <u>Current</u> <u>Year</u>	<u>Redeemed</u> <u>Current</u> <u>Year</u>	<u>Outstanding</u> <u>June 30, 2011</u>
1995	4.60-6.25	8/1/19	<u>\$ 720,000</u>	<u>\$ 1,004,002</u>	<u>\$ 56,905</u>	<u>\$ 110,000</u>	<u>\$ 950,907</u>

The outstanding obligation for the Series 1995 capital appreciation bonds at June 30, 2011, is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Rate %</u>	<u>Amount of</u> <u>Original Issue</u> <u>(Principal)</u>	<u>Accreted</u> <u>Interest</u>	<u>Totals</u>
2012	5.95	\$ 46,600	\$ 72,231	\$ 118,831
2013	6.00	49,009	76,933	125,942
2014	6.05	49,162	78,148	127,310
2015	6.10	49,034	78,924	127,958
2016	6.15	50,130	81,695	131,825
2017-2021	6.20-6.25	120,788	198,253	319,041
Totals		<u>\$ 364,723</u>	<u>\$ 586,184</u>	<u>\$ 950,907</u>

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

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the Series 1995 capital appreciation bonds at June 30, 2011, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 46,600	\$ 73,400	\$ 120,000
2013	49,009	85,991	135,000
2014	49,162	95,838	145,000
2015	49,034	105,966	155,000
2016	50,130	119,870	170,000
2017-2021	120,788	339,212	460,000
Totals	<u>\$ 364,723</u>	<u>\$ 820,277</u>	<u>\$ 1,185,000</u>

NOTE 8 - CAPITAL LEASE

On April 20, 2010, the District entered into a lease purchase agreement in the amount \$577,000 to provide financing for various capital projects in advance of receiving State funding. The capital lease is payable over a 10 year term with an effective interest rate of 4.87%. The lease agreement provides for title to pass upon expiration of the lease period.

Future minimum lease payments under this agreement are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2012	\$ 74,253
2013	74,253
2014	74,253
2015	74,253
2016	74,253
2017-2021	<u>297,013</u>
Total	668,278
Less amounts representing interest	<u>(137,431)</u>
Present value of net minimum lease payments	<u>\$ 530,847</u>

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

From an accrual accounting perspective, the cost of post employment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2011, the District recognizes the cost of post employment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows.

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

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

Plan Descriptions: The District offers medical, dental and vision insurance to its eligible retirees. The medical plans are a Kaiser HMO and HealthNet HMO, with Kaiser Senior Advantage for Medicare-eligible retirees. Delta Dental and VSP vision insurance are also offered to both active employees and retirees of the District. All coverages are self-insured on a pooled basis or otherwise provided through the Marin Schools Insurance Authority (MSIA).

Certificated employees who have attained age 55 and have completed 15 or more years of active 1.0 full-time equivalent (FTE) service with the District, may retire and receive a District contribution equal to a dollar amount multiplied by years of service, expressed as a lump sum and applied to retiree health benefits until exhausted (benefits may extend beyond age 65.) The dollar amount is \$800 per year for retirees with less than 20 years of service, and \$1,000 per year for retirees with at least 20 years of service, to a maximum lump sum of \$30,000 for retirees with 30 or more years of service. Retirees may take cash in lieu of health benefits.

Classified employees who have attained age 55 but not attained age 62, and have completed 10 or more years of paid service with the District, may retire and select one of three early retirement options. One of these three options involves having the District apply the theoretical Golden Handshake amount that would be applicable to them if they received a Golden Handshake under CalPERS, towards retiree health benefits. District-paid benefits continue until the dollar amount is exhausted, or age 65 if earlier.

Management employees do not have explicit OPEB provisions in their employment agreements. For purposes of this valuation, they have been assumed to receive benefits similar to those provided for the bargaining unit to which their classification corresponds (i.e., Certificated or Classified).

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued. The District had thirty-nine active employees and no retired employees as of July 1, 2009, the effective date of the triennial OPEB valuation.

Funding Policy: As required by GASB 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB 45 does not require pre-funding of OPEB benefits. The District's funding policy is to continue to pay healthcare premiums for retirees as the fall due ("pay-as-you-go").

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of \$9,528 for the year ended June 30, 2011.

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Annual OPEB Cost and Net OPEB Obligation (Concluded):

Normal cost with interest to end of year	\$ 4,242
Amortization of UAAL with interest to end of year	<u>3,429</u>
Annual required contribution (ARC)	7,671
Interest on Net OPEB Obligation	116
Adjustment to ARC	<u>(151)</u>
Annual OPEB cost (expense)	7,636
Contributions for the fiscal year	<u>(436)</u>
Increase in Net OPEB Obligation	7,200
Net OPEB Obligation - June 30, 2010	<u>2,328</u>
Net OPEB Obligation - June 30, 2011	<u>\$ 9,528</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 7,636	5.7%	\$ 9,528
June 30, 2010	7,671	69.7%	2,328
June 30, 2009	n/a	n/a	n/a

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

In the July 1, 2009, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The actuarial assumptions included a 5% investment rate of return. The assumptions reflect an implicit 3% general inflation assumption. The initial healthcare trend rate was 7% and grades down by 1 percent per year to an ultimate rate of 5% for fiscal years beginning 2011 and thereafter.

NOTE 10 - LONG-TERM LIABILITIES

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

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011	Due within One Year
General Obligation Bonds:					
Current Interest	\$ 1,155,000		\$ 100,000	\$ 1,055,000	\$ 105,000
Capital Appreciation	1,004,002	\$ 56,905	110,000	950,907	118,833
Capital Lease	577,000		46,153	530,847	48,401
Other Post Employment Benefits	2,328	7,636	436	9,528	
Totals	\$ 2,738,330	\$ 64,541	\$ 256,589	\$ 2,546,282	\$ 272,234

NOTE 11 - FUND BALANCES

The fund balances as of June 30, 2011 are as follows:

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 5,000			\$ 5,000
Restricted	132,552		\$ 164,846	297,398
Assigned		\$ 646,228	42,032	688,260
Unassigned:				
Economic Uncertainties	254,718			254,718
Other	992,437			992,437
Total Fund Balances	\$ 1,384,707	\$ 646,228	\$ 206,878	\$ 2,237,813

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$97,842, \$95,816, and \$104,463, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$60,780, \$56,881, and \$57,212, respectively, and equal 100% of the required contributions for each year.

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, the employees were required to contribute 6.2% of their gross earnings from July 2010 through December 2010 and 4.2% from January 2011 through June 2011.

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of \$50,604 (4.267% of salaries subject to CalSTRS).

NOTE 14 - ECONOMIC DEPENDENCY

During the year, the District received \$532,350 of parcel tax revenue that is subject to voter approval, and \$33,343 of contributions from the Lead, Enrich, Achieve, Progress (LEAP) Foundation, a non-profit charitable organization, which is subject to voluntary public contributions to the foundation.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010-11, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

NOTE 16 - JOINT VENTURE

Marin Schools Insurance Authority (MSIA)

The District participates in a joint venture under a joint powers agreement with MSIA for workers' compensation and property and liability insurance. The relationship between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes.

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in MSIA.

MSIA is audited on an annual basis. Audited financial statements can be obtained by contacting MSIA's management.

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**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment		\$ 116,716	\$ 119,963	\$ 3,247
Local Sources	\$ 1,666,303	1,666,061	1,666,237	176
Total Revenue Limit Sources	1,666,303	1,782,777	1,786,200	3,423
Federal Revenue	110,757	129,153	114,054	(15,099)
Other State Revenue	587,010	281,470	284,881	3,411
Other Local Revenue	790,528	886,274	912,140	25,866
Total Revenues	3,154,598	3,079,674	3,097,275	17,601
<u>Expenditures</u>				
Certificated Salaries	1,183,125	1,172,349	1,172,863	(514)
Classified Salaries	696,866	719,090	708,566	10,524
Employee Benefits	492,316	494,693	489,710	4,983
Books and Supplies	63,973	94,142	98,875	(4,733)
Services and Other				
Operating Expenditures	702,064	622,102	621,393	709
Capital Outlay	5,000			
Other Expenditures	107,044	92,220	80,445	11,775
Total Expenditures	3,250,388	3,194,596	3,171,852	22,744
Excess of Revenues (Under) Expenditures	(95,790)	(114,922)	(74,577)	40,345
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(287,116)	(14,999)	(12,121)	2,878
Net Change in Fund Balances	(382,906)	(129,921)	(86,698)	\$ 43,223
Fund Balances - July 1, 2010	1,471,405	1,471,405	1,471,405	
Fund Balances - June 30, 2011	\$ 1,088,499	\$ 1,341,484	\$ 1,384,707	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEFERRED MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Other State Revenue		\$ 287,313	\$ 287,313	
Other Local Revenue	\$ 2,000	2,900	3,462	\$ 562
Total Revenues	2,000	290,213	290,775	562
<u>Expenditures</u>				
Classified Salaries		219	219	
Employee Benefits		22	20	2
Books and Supplies		3,755	3,754	1
Services and Other				
Operating Expenditures	1,052,000	711,827	700,882	10,945
Debt Service:				
Principal Retirement		46,153	46,153	
Interest and Fiscal Charges		28,101	28,100	1
Total Expenditures	1,052,000	790,077	779,128	10,949
Excess of Revenues (Under) Expenditures	(1,050,000)	(499,864)	(488,353)	11,511
<u>Other Financing Sources</u>				
Other Sources	274,799			
Net Change in Fund Balances	(775,201)	(499,864)	(488,353)	\$ 11,511
Fund Balances - July 1, 2010	1,134,581	1,134,581	1,134,581	
Fund Balances - June 30, 2011	\$ 359,380	\$ 634,717	\$ 646,228	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LAGUNITAS ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Cafeteria</u>	<u>Bond Interest and Redemption</u>
<u>Assets</u>		
Deposits and Investments	\$ (8,253)	\$ 131,872
Receivables	10,795	
	<u>2,542</u>	<u>131,872</u>
Total Assets	<u>\$ 2,542</u>	<u>\$ 131,872</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 2,542	
	<u>2,542</u>	
Total Liabilities	<u>2,542</u>	
Fund Balances:		
Restricted		\$ 131,872
Assigned		
	<u>0</u>	<u>131,872</u>
Total Fund Balances	<u>0</u>	<u>131,872</u>
Total Liabilities and Fund Balances	<u>\$ 2,542</u>	<u>\$ 131,872</u>

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
\$ 33,094	\$ 30,849 9,500	\$ 4,650	\$ 187,562 24,945
<u>\$ 33,094</u>	<u>\$ 40,349</u>	<u>\$ 4,650</u>	<u>\$ 212,507</u>
\$ 120	\$ 2,967		\$ 5,629
120	2,967		5,629
32,974	37,382	\$ 4,650	164,846 42,032
<u>32,974</u>	<u>37,382</u>	<u>4,650</u>	<u>206,878</u>
<u>\$ 33,094</u>	<u>\$ 40,349</u>	<u>\$ 4,650</u>	<u>\$ 212,507</u>

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Cafeteria</u>	<u>Bond Interest and Redemption</u>
<u>Revenues</u>		
Federal Revenue	\$ 22,548	
State Revenue	1,521	\$ 3,372
Local Revenue	43,254	305,317
	<hr/>	<hr/>
Total Revenues	67,323	308,689
	<hr/>	<hr/>
<u>Expenditures</u>		
Food Services	79,444	
Other General Administration		
Plant Services		
Facilities Acquisition and Construction		
Debt Service:		
Principal Retirement		210,000
Interest and Issuance Costs		42,116
	<hr/>	<hr/>
Total Expenditures	79,444	252,116
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(12,121)	56,573
	<hr/>	<hr/>
<u>Other Financing Sources</u>		
Operating Transfers In	12,121	
	<hr/>	<hr/>
Net Change in Fund Balances	0	56,573
Fund Balances - July 1, 2010	0	75,299
	<hr/>	<hr/>
Fund Balances - June 30, 2011	\$ 0	\$ 131,872
	<hr/>	<hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 22,548
			4,893
\$ 9,232	\$ 26,356	\$ 4,650	388,809
<u>9,232</u>	<u>26,356</u>	<u>4,650</u>	<u>416,250</u>
			79,444
180			180
3,074	225		3,299
	13,582		13,582
			210,000
			42,116
<u>3,254</u>	<u>13,807</u>	<u>0</u>	<u>348,621</u>
5,978	12,549	4,650	67,629
			12,121
<u>5,978</u>	<u>12,549</u>	<u>4,650</u>	<u>79,750</u>
26,996	24,833		127,128
<u>\$ 32,974</u>	<u>\$ 37,382</u>	<u>\$ 4,650</u>	<u>\$ 206,878</u>

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	(Budget)* 2011-12	2010-11	2009-10	2008-09
Revenues and Other Financial Sources	\$ 2,836,517	\$ 3,097,275	\$ 3,345,223	\$ 3,418,393
Expenditures	3,152,495	3,171,852	3,044,122	3,290,471
Other Uses and Transfers Out	14,719	12,121	308,911	300,552
Total Outgo	3,167,214	3,183,973	3,353,033	3,591,023
Change in Fund Balance	(330,697)	(86,698)	(7,810)	(172,630)
Ending Fund Balance	\$ 1,054,010	\$ 1,384,707	\$ 1,471,405	\$ 1,479,215
Available Reserves	\$ 928,961	\$ 1,247,155	\$ 1,307,954	\$ 1,320,262
Reserve for Economic Uncertainties **	\$ 253,377	\$ 254,718	\$ 214,587	\$ 263,238
Available Reserves as a Percentage of Total Outgo	29.3%	39.2%	39.0%	36.8%
Average Daily Attendance at P-2	272	272	269	272
Total Long-Term Liabilities	\$ 2,274,048	\$ 2,546,282	\$ 2,738,330	\$ 2,299,287

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

** Reported balances are a component of available reserves.

The fund balance of the General Fund decreased \$86,698 (6.4%) over the past two years. The fiscal year 2011-12 budget projects a decrease of \$330,697 (23.9%). For a district this size, the state recommends available reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred operating deficits of \$172,630, \$7,810 and \$86,698 during fiscal years 2008-09, 2009-10 and 2010-11, respectively.

Average daily attendance has no change in ADA over the past two years. The District budget projects no change in ADA during fiscal year 2011-12.

Long-term liabilities increased \$246,995 over the past two years, due primarily to the prior year addition of a new \$577,000 capital lease.

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

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

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

F. Schedule of Expenditures of Federal Awards

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

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

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

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

H. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
 Lagunitas Elementary School District
 San Geronimo, California

We have audited Lagunitas Elementary School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of the District's management. Our responsibility is to express an opinion on Lagunitas Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, prescribed in the California Code of Regulations, Title 5 section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Lagunitas 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. Our audit does not provide a legal determination of Lagunitas Elementary School District's compliance with those requirements.

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Material:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

<u>Description</u>	<u>Procedures In Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

We did not perform tests for the independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

In our opinion, Lagunitas Elementary School District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Lagunitas Elementary School District had not complied with the state laws and regulations.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
 Certified Public Accountants

December 5, 2011

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Lagunitas Elementary School District
San Geronimo, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lagunitas Elementary School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

FINDINGS AND QUESTIONED COSTS SECTION

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

State Awards

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

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

LAGUNITAS ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
10 - 1 / 70000		
SIGNIFICANT DEFICIENCY		
<u>INSTRUCTIONAL MATERIALS</u> <u>FUNDING REALIGNMENT PROGRAM</u>		
The District should establish appropriate procedures to ensure that all future instructional material resolutions are reviewed for compliance prior to being submitted to the governing board for approval.	Implemented	