

**NOVATO UNIFIED
SCHOOL DISTRICT
COUNTY OF MARIN
NOVATO, CALIFORNIA**

AUDIT REPORT
June 30, 2012

NOVATO UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Novato Unified School District
Novato, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Novato Unified School District (District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Education Audit Appeals Panel's *Standards and Procedures for Audit of California K-12 Local Education Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Novato Unified School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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 a report dated December 12, 2012, on our consideration of the Novato Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

As discussed in Note 1 of the notes to basic financial statements effective July 1, 2011, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, the budgetary comparison schedule on page 51, and the schedule of funding progress for post-employment benefits other than pensions on page 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Novato Unified School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements of the Novato Unified School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying combining and individual fund financial statements and schedules, financial, statistical information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 12, 2012

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011–2012

JUNE 30, 2012

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

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

FINANCIAL HIGHLIGHTS

- General Fund revenues increased by \$603,752 or .95% from 2010-2011 to 2011-2012, while expenditures increased by 1.3% for the same period. The increase in revenue is attributed to the receipt of one-time federal stimulus dollars from the Education Jobs Act Federal Stimulus Funding.
- General Fund expenditures and other sources and uses exceeded revenues and other uses by \$1.29 million; the District ended the year with available reserves of \$15.75 million which met the State recommended reserve level of 3% of total general fund expenditures, transfers out, and other uses (total outgo).
- In complying with GASB 34, fixed assets were valued and reported at historical cost. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$206 million. After depreciation, the June 30, 2012 book value for fixed assets totaled \$116 million.
- A salary increase for all employees was implemented at a total cost of \$993,137
- Class size was maintained at 20:1 for K-3, 30:1 for 4-8; and student contact of 155 for grades 9-12
- Reorganization of the curriculum department resulting in a savings in the 2011-2012 year and on-going savings of \$75,000
- Savings at the site levels and departments due to the implementation of program budgeting which empowered site leaders and directors to prioritize needed services and materials

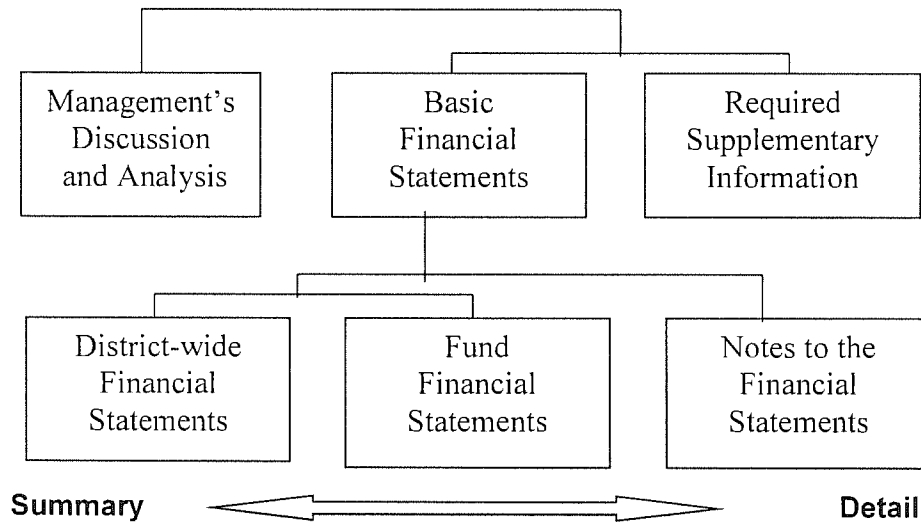
- Completion of boundary study resulting in neighborhood schools and better utilization of school facilities
- Completion of Phase I of the technology plan resulting in a robust high speed network to support technology in the classroom

These accomplishments, and many others, were achieved as NUSD state funding was again reduced in 2011-2012 as the State only funded 80 percent of the revenue limit, resulting in a loss of funding of \$10.1 million. The cumulative effect of this year over year loss of state revenue amounts to \$39 million – equivalent to one year of total state funding for the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Components of the Financial Section



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

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- ◆ **Governmental Funds**
Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- ◆ **Proprietary Funds**
Proprietary funds use the full accrual basis of accounting, the same as the District-wide statements. The District currently has two types of proprietary funds, an internal service fund and an enterprise fund. The internal service fund of the District is the Self Insurance Fund used to account for the District's self-insured plan. The enterprise fund of the District is the Cafeteria Enterprise Fund used to account for the District's nutritional services program.
- ◆ **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 Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The District as a Whole

The District's net assets were \$60.7 million at June 30, 2012. Of this amount \$14.9 million was unrestricted. Investments in capital assets, net of related debt, account for \$37.6 million of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

Table 1
Comparative Statement of Net Assets

	2011-2012			2010-2011
	Governmental Activities	Business- type Activities	Totals	Totals
Assets				
Cash and investments	\$33,873,168	\$40,960	\$33,914,128	\$42,966,112
Accounts receivable	12,901,189	240,433	13,141,622	12,981,248
Internal balances	170,631	(170,025)	606	0
Inventories and prepaid expenses	207,680	19,951	227,631	129,299
Other assets	594,314		594,314	350,131
Capital assets (net of depreciation)	115,954,570	39,881	115,994,451	111,368,245
Total Assets	\$163,701,552	\$171,200	\$163,872,752	\$167,795,035
Liabilities				
Accounts payable and other current liabilities	\$5,993,568	\$34,797	\$ 6,028,365	\$ 5,699,652
Deferred revenue	118,821	3,757	122,578	1,203,533
Long-term liabilities	97,012,448		97,012,448	97,982,397
Total Liabilities	\$103,124,837	\$38,554	\$103,163,391	\$104,885,582
Net Assets				
Invested in capital assets, net of related debt	\$37,540,733	\$39,881	\$ 37,580,614	\$36,521,527
Restricted	8,226,525		8,226,525	9,889,522
Unrestricted	14,809,457	92,765	14,902,222	16,498,404
Total net assets	\$60,576,715	\$132,646	\$ 60,709,361	\$62,909,453

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position decreased \$2.2 million this fiscal year. (See Table 1)

Governmental Activities

The District's expenses for instructional and pupil services represented 70 percent of total expenses. The purely administrative activities of the District accounted for just 5 percent of total costs. The remaining 25 percent was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo.

**Table 2
Comparative Statement of Change in Net Assets**

	2011-2012			2010-2011
	Governmental Activities	Business-Type Activities	Total	Total
Revenues				
Program Revenues	\$ 12,095,835	\$ 2,039,288	\$14,135,123	\$14,685,551
General Revenues				
Taxes levied for general purposes	13,484,175		13,484,175	10,378,892
Taxes levied for debt service	5,801,939		5,801,939	6,229,415
Tax levied for other specific purposes	4,411,296		4,411,296	4,527,206
Federal and State	32,896,696		32,896,696	36,019,021
Interest and investment earnings	65,505	47	65,552	238,421
Interagency revenues	3,600		3,600	2,400
Miscellaneous and transfers	3,746,697	41,724	3,788,421	1,401,941
Total general revenues	<u>\$72,505,743</u>	<u>\$2,081,059</u>	<u>\$74,586,802</u>	<u>\$73,482,847</u>
Expenses				
Instruction	\$40,685,902		\$40,685,902	\$39,831,191
Instruction-related services	7,119,746		7,119,746	7,782,148
Pupil support services	4,709,276	1,999,518	6,708,794	6,262,191
General administration	4,033,145	26,758	4,059,903	3,651,714
Plant Services	13,020,114	9,954	13,030,068	14,617,099
Other	5,948,887		5,948,887	6,001,552
Total Expenses	<u>\$75,517,070</u>	<u>\$2,036,230</u>	<u>\$77,553,300</u>	<u>\$78,145,895</u>
Change in Net Assets	<u>(\$3,011,327)</u>	<u>\$44,829</u>	<u>(\$2,966,498)</u>	<u>(\$4,663,048)</u>

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

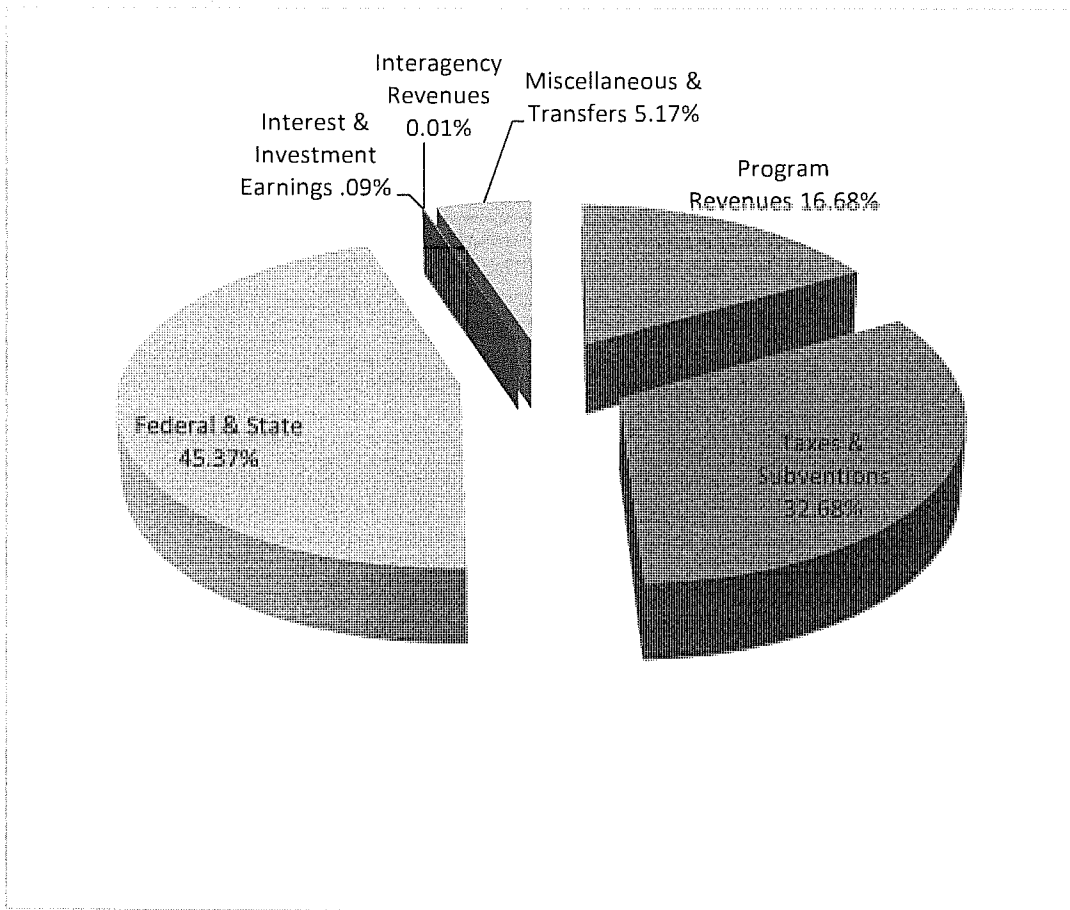
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS
(CONCLUDED)

Governmental Activities (Concluded)

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$75.5 million. The amount that our local taxpayers financed for these activities through property taxes was \$23.7 million. Federal and State aid totaled \$32.9 million.

Sources of Revenue for the 2011-2012 Fiscal Year-Governmental Activities

Figure 1



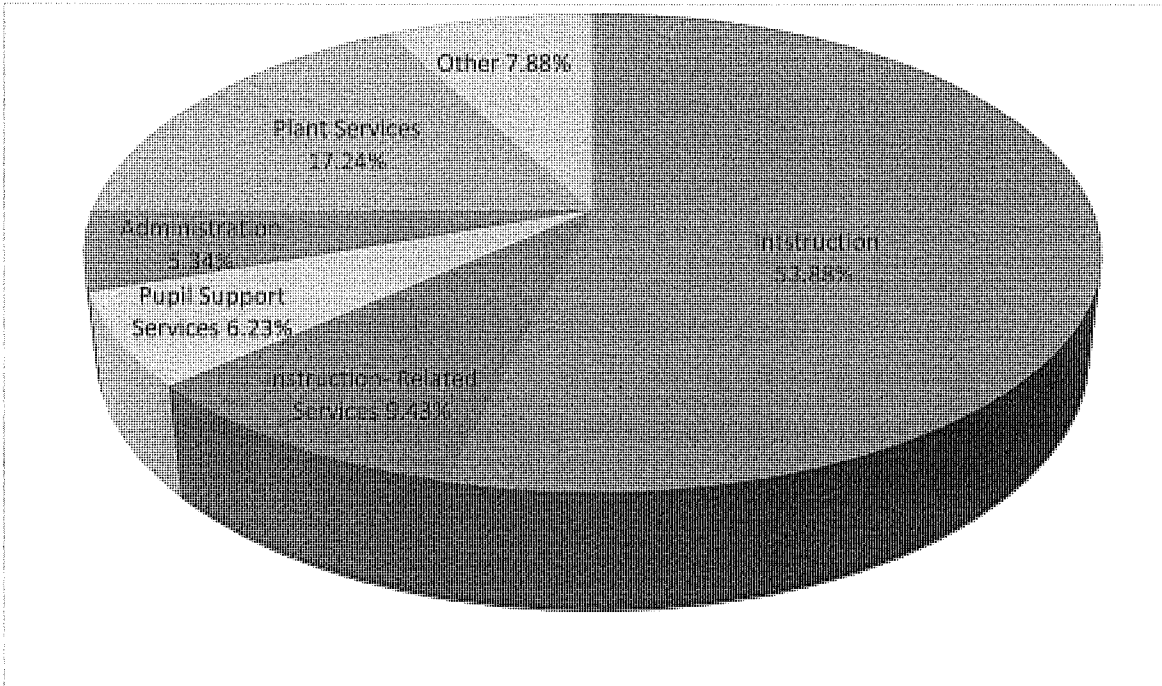
NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

Expenses for Fiscal Year 2011-2012 – Governmental Activities

Figure 2



NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011 – 2012

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$42.4 million, a decrease of \$8.3 million from the previous fiscal year's combined ending balance of \$50.7 million. This decrease is mainly reflected in the Other Governmental Funds. The General Fund balance decreased by \$1.3 million.

General Fund Budgetary Highlights

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

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

The final revised budget for the General Fund reflected a net decrease to the projected ending balance of \$2.5 million; however, the year ended with a decrease of \$1.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Governmental Activities

By the end of the 2011-2012 fiscal year, the District had invested \$206 million in a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were \$116 million at June 30, 2012 which is an increase of \$4.6 million from the previous year due to acquisitions and building and site improvements.

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011- 2012

JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets - Governmental Activities (Continued)

Table 3
Comparative Schedule of Capital Assets - Governmental Activities
(Net of Depreciation)
June 30, 2012 and 2011

	2011-2012	2010-2011	Difference	Percentage Change
Land	\$8,431,737	\$8,431,737		
Site Improvements	8,713,926	8,044,306	669,620	8.32%
Buildings	86,345,339	90,291,105	-3,945,766	-4.37%
Machinery & Equipment	1,107,641	1,239,622	-131,981	-10.65%
Work In Progress	11,355,927	3,316,609	8,039,318	242.40%
Total	\$115,954,570	\$111,323,379	\$4,631,191	4.16%

The primary increase in capital assets occurred in buildings, which include construction projects for site improvements and modernization of existing buildings. This year's major capital asset additions included:

- Hamilton Administrative Building
- Hamilton Gymnasium Joint-Use Project
- Hamilton Portables & Paving
- Loma Verde Elementary, San Jose Middle and Sinaloa Middle School Concrete Paving
- Novato High School Modernization
- San Ramon Elementary Multi-Use Building
- District Wide Phone System
- Security Cameras Novato High and San Marin High Schools
- Lynwood Elementary Portables
- Parcel 1A Demolition

NOVATO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2011-2012

JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt

At June 30, 2012, the District had \$97 million in long-term debt outstanding.

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

	<u>2012</u>	<u>2011</u>
Certificates of Participation	\$255,000	\$495,000
General Obligation Bonds	91,450,000	95,020,000
General Obligation Bond Premium	4,676,451	1,832,712
Capital Lease Obligations	56,580	0
Compensated Absences	374,417	434,685
Claims Payable	200,000	200,000
TOTAL	\$97,012,448	\$97,982,397

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state, national, and world financial crisis is still a major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula. The Governor's Budget Proposal for the 2012-2013 fiscal year provided for trigger reductions if the November 2012 tax initial failed. The average school district ongoing reduction was estimated to be approximately \$370 per ADA; by the May Revision, that figure grew to an ongoing reduction of \$441 per ADA. While the initiative did not provide any additional funding for school districts in California, it did eliminate the potential loss of funding equal to \$441/per ADA or \$3.3 million for the Novato Unified School District.

The multi-year projection as of the First Interim reporting period, shows continued deficit spending of \$3.6 million in 2013-2014 and \$3.03 million in 2014-2015. Continued deficit spending erodes the ending fund balance resulting in a projected combined ending fund balance of \$5.77 at June 30, 2015. This represents a 63% decline in the ending fund balance since the 2012-2013 adopted budgeted.

The Budget Advisory Committee (BAC) began meeting in August to explore budget reductions that would eliminate the \$3 million structural deficit and to address the potential mid-year, on-going cut of \$3.3 million if Proposition 30 failed. California voters did show their support of public education with the passage of Proposition 30. The threat of significant revenue reductions to schools was averted; however, the passage of Proposition 30 did not result in new or increased funding to education. A portion of the

State cash deferrals will be repaid in June 2013 and this will help the cash management of the district.

In addition to the challenge of current and on-going structural deficits, several external events could negatively impact the financial position of NUSD.

- Federal Sequestration, commonly referred to as the “federal fiscal cliff”, could result in a reduction of 8.2% or approximately \$175,000 should the Congress not reach agreement on revenue increases and targeted cuts.
- California school finance reform through the Weighted Student Formula is expected to be included in the 2013-2014 California State Budget. The effect to NUSD cannot be quantified currently as the state formula is still in the development phase. However, NUSD was expected to lose base funding under the formula proposed in the 2012-2013 state budget.
- Locally, NUSD received a charter school petition requesting the formation of a charter school that is projecting enrollment of 544 students. This potential loss is included in the ending fund balance as a contingency.
- Locally, the parcel tax that generates approximately \$4.3 million annually is set to expire June 30, 2015.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer's office at the Novato Unified School District, 1015 Seventh Street, Novato, CA 94945.

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NOVATO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

Assets	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Cash in County treasury	\$ 33,586,710	\$ 40,960	\$ 33,627,670
Cash on hand and in banks	13,132		13,132
Revolving cash fund	200		200
Cash and investments with fiscal agents	273,126		273,126
Accounts receivable	12,901,189	240,433	13,141,622
Internal balances	170,025	(170,025)	
Inventories, at cost	128,138	19,951	148,089
Prepaid items	79,542		79,542
Deferred charges, net of accumulated amortization	409,428		409,428
Net OPEB assets	184,886		184,886
Land	8,431,737		8,431,737
Construction in progress	11,355,927		11,355,927
Site improvements	28,118,099		28,118,099
Buildings and improvements	153,806,669		153,806,669
Machinery and equipment	4,266,476	354,736	4,621,212
Less: accumulated depreciation	(90,024,338)	(314,855)	(90,339,193)
Total Assets	<u>163,700,946</u>	<u>171,200</u>	<u>163,872,146</u>
Liabilities			
Accounts payable	4,242,020	34,797	4,276,817
Interest payable	1,750,942		1,750,942
Deferred revenue	118,821	3,757	122,578
Long-term liabilities:			
Due within one year	2,883,244		2,883,244
Due in more than one year	94,129,204		94,129,204
Total Liabilities	<u>103,124,231</u>	<u>38,554</u>	<u>103,162,785</u>
Net Assets			
Invested in capital assets, net of related debt	37,540,733	39,881	37,580,614
Restricted for:			
Capital projects	2,850,180		2,850,180
Debt service	2,887,454		2,887,454
Educational programs	2,488,891		2,488,891
Unrestricted	14,809,457	92,765	14,902,222
Total net assets	<u>\$ 60,576,715</u>	<u>\$ 132,646</u>	<u>\$ 60,709,361</u>

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 40,685,902	\$ 49,457	\$ 7,971,121
Instruction-related services:			
Instructional supervision and administration	1,778,218	3,975	721,567
Instructional library, media, and technology	768,735	16,654	221,481
School site administration	4,572,793	1,407	86,315
Pupil services:			
Home-to-school transportation	2,303,621	230,911	771,787
Food services	14,591		
All other pupil services	2,391,064	19,418	775,927
General administration:			
Centralized data processing	758,098	544	7,239
All other general administration	3,275,047	13,288	372,885
Plant services	13,020,114	107	349,030
Ancillary services	443,230	9,641	128,219
Enterprise activities	15,470		
Interest on long-term debt	4,382,522		
Other outgo	1,107,665	24,118	320,744
Total governmental activities	<u>75,517,070</u>	<u>369,520</u>	<u>11,726,315</u>
Business-type activities			
Pupil services:			
Food services	1,999,518	612,721	1,390,223
General administration:			
All other general administration	26,758	8,358	18,132
Plant services	9,954	3,109	6,745
Total business-type activities	<u>2,036,230</u>	<u>624,188</u>	<u>1,415,100</u>
Total government	<u>\$ 77,553,300</u>	<u>\$ 993,708</u>	<u>\$ 13,141,415</u>

General revenues:
Taxes and subventions:
 Taxes levied for general purposes
 Taxes levied for debt service
 Taxes levied for other specific purposes
Federal and state aid not restricted to specific purposes
Interest and investment earnings
Interagency revenues
Miscellaneous
Total general revenues
Change in net assets
Net assets beginning of fiscal year
Prior period adjustments
Net assets beginning of fiscal year, restated
Net assets end of fiscal year

See notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (32,665,324)	\$ -	\$ (32,665,324)
(1,052,676)		(1,052,676)
(530,600)		(530,600)
(4,485,071)		(4,485,071)
(1,300,923)		(1,300,923)
(14,591)		(14,591)
(1,595,719)		(1,595,719)
(750,315)		(750,315)
(2,888,874)		(2,888,874)
(12,670,977)		(12,670,977)
(305,370)		(305,370)
(15,470)		(15,470)
(4,382,522)		(4,382,522)
(762,803)		(762,803)
<u>(63,421,235)</u>		<u>(63,421,235)</u>
	3,426	3,426
	(268)	(268)
	(100)	(100)
	<u>3,058</u>	<u>3,058</u>
<u>(63,421,235)</u>	<u>3,058</u>	<u>(63,418,177)</u>
13,484,175		13,484,175
5,801,939		5,801,939
4,411,296		4,411,296
32,896,696		32,896,696
65,505	47	65,552
3,600		3,600
3,746,697	41,724	3,788,421
<u>60,409,908</u>	<u>41,771</u>	<u>60,451,679</u>
<u>(3,011,327)</u>	<u>44,829</u>	<u>(2,966,498)</u>
62,821,636	87,817	62,909,453
766,406		766,406
<u>63,588,042</u>	<u>87,817</u>	<u>63,675,859</u>
<u>\$ 60,576,715</u>	<u>\$ 132,646</u>	<u>\$ 60,709,361</u>

NOVATO UNIFIED SCHOOL DISTRICT
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 June 30, 2012

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash in County treasury	\$ 6,869,375	\$ 17,938,977	\$ 8,497,171	\$ 33,305,523
Cash on hand and in banks	13,132			13,132
Cash in revolving fund	200			200
Cash and investments with fiscal agents			273,126	273,126
Accounts receivable	12,446,937	1,800	452,452	12,901,189
Due from other funds	172,619		1,800	174,419
Inventory, at cost	128,138			128,138
Prepaid items	79,542			79,542
Total assets	\$ 19,709,943	\$ 17,940,777	\$ 9,224,549	\$ 46,875,269
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,769,558	\$ 324,211	\$ 148,201	\$ 4,241,970
Due to other funds	73,461	1,800	1,988	77,249
Deferred revenue	118,821			118,821
Total liabilities	3,961,840	326,011	150,189	4,438,040
Fund balances:				
Nonspendable				
Revolving cash	200			200
Stores inventories	128,138			128,138
Prepaid expenditures	79,542			79,542
Restricted				
Medi-Cal billing option	119,292			119,292
English Language Acquisition Program	8,397			8,397
Lottery: Instructional material	316,653			316,653
Economic Impact Aid (EIA)	140,010			140,010
Economic Impact Aid (LEP)	232,645			232,645
Construction		17,614,766	2,850,180	20,464,946
Debt service			4,638,396	4,638,396
Ongoing & Major Maintenance Account	108,670			108,670
Other Restricted Local	1,563,224			1,563,224
Committed				
Adult education program			63,212	63,212
Assigned				
Deferred maintenance			1,522,572	1,522,572
Unassigned	13,051,332			13,051,332
Total fund balances	15,748,103	17,614,766	9,074,360	42,437,229
Total liabilities and fund balances	\$ 19,709,943	\$ 17,940,777	\$ 9,224,549	\$ 46,875,269

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances - governmental funds \$ 42,437,229

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

Capital assets at historical cost	\$	205,978,908	
Accumulated depreciation		<u>(90,024,338)</u>	
Net			115,954,570

In governmental funds, bond premiums are recognized as other financing sources and debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, both premiums and debt issue costs are amortized over the life of the debt.

Unamortized bond premiums	\$	(4,676,451)	
Unamortized deferred charges		<u>409,428</u>	(4,267,023)

In governmental funds, Net OPEB asset has not been included as financial resources. 184,886

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (1,750,942)

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

General obligation bonds payable	\$	(91,450,000)	
Certificates of participation		(255,000)	
Capital leases		(56,580)	
Compensated absences		<u>(374,417)</u>	
Total			(92,135,997)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets (included claims payable \$200,000) 153,992

Total net assets, governmental activities \$ 60,576,715

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue limit sources:				
State apportionments	\$ 26,137,872	\$ -	\$ -	\$ 26,137,872
Local sources	13,176,482			13,176,482
Federal	4,184,157			4,184,157
Other state	8,736,981		54,645	8,791,626
Other local	11,754,614	47,130	8,413,862	20,215,606
	<u>63,990,106</u>	<u>47,130</u>	<u>8,468,507</u>	<u>72,505,743</u>
Expenditures:				
Certificated salaries	30,584,890		30,259	30,615,149
Classified salaries	10,208,547	147,856		10,356,403
Employee benefits	9,960,141	42,689	3,472	10,006,302
Books and supplies	2,540,438	29,971	33,746	2,604,155
Contracted services and other operating expenditures	9,163,667	197,027	396,067	9,756,761
Capital outlay	122,403	4,325,319	6,456,914	10,904,636
Other outgo	1,078,919		1,988	1,080,907
Debt service:				
Principal	20,721		1,510,000	1,530,721
Interest and fiscal charges	265		4,211,863	4,212,128
	<u>63,679,991</u>	<u>4,742,862</u>	<u>12,644,309</u>	<u>81,067,162</u>
Excess of revenues over (under) expenditures	310,115	(4,695,732)	(4,175,802)	(8,561,419)
Other Financing Sources (Uses):				
Proceeds from long term debt	77,301		24,290,000	24,367,301
Premium on long term debt			3,118,323	3,118,323
Payment to Refunded Bond Escrow Agent			(27,164,429)	(27,164,429)
Transfers in	30,000		1,866,055	1,896,055
Transfers out	(1,708,532)		(260,378)	(1,968,910)
	<u>(1,601,231)</u>		<u>1,849,571</u>	<u>248,340</u>
Net change in fund balances	(1,291,116)	(4,695,732)	(2,326,231)	(8,313,079)
Fund balances, July 1, 2011	17,039,219	22,310,498	11,400,591	50,750,308
Fund balances, June 30, 2012	<u>\$ 15,748,103</u>	<u>\$ 17,614,766</u>	<u>\$ 9,074,360</u>	<u>\$ 42,437,229</u>

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Total net change in fund balances - governmental funds	\$	(8,313,079)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$11,035,284 exceeded depreciation expense (\$6,866,011) in the period.</p>		
		4,169,273
<p>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.</p>		
		28,120,721
<p>In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as additions to long-term debt.</p>		
		(24,367,301)
<p>In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:</p>		
		(304,488)
<p>In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>		
		154,413
<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). The difference between compensated absences paid and compensated absences earned was:</p>		
		60,268
<p>In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, benefits paid exceed amounts earned by:</p>		
		25,251
<p>Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service fund was:</p>		
		68,422
<p>In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use at the time of issuance. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:</p>		
Premium addition for the period	\$	(3,118,323)
Amortization of premium for the period		<u>274,584</u>
		(2,843,739)
<p>In governmental funds, debt issuance costs are recognized as expenditures at the time of issuance. In the government-wide statements, issuance 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 is:</p>		
Issuance costs addition for the period:	\$	243,894
Amortization of issuance costs for the period:		<u>(24,962)</u>
		<u>218,932</u>
Change in net assets of governmental activities	\$	<u>(3,011,327)</u>

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Enterprise Funds		Totals	Governmental
	General Education Preschool Fund	Cafeteria Enterprise Fund		Activities Internal Service Fund Self-Insurance Fund
Assets				
Current assets:				
Cash in County treasury	\$ 38,834	\$ 2,126	\$ 40,960	\$ 281,187
Accounts receivable		240,433	240,433	
Due from other funds	606		606	72,855
Inventory, at cost		19,951	19,951	
Total current assets	39,440	262,510	301,950	354,042
Non-current assets:				
Capital assets		354,736	354,736	
Less: accumulated depreciation		(314,855)	(314,855)	
Total non-current assets		39,881	39,881	
Total assets	39,440	302,391	341,831	354,042
Liabilities				
Current liabilities:				
Accounts payable	306	34,491	34,797	50
Due to other funds		170,631	170,631	
Deferred revenue		3,757	3,757	
Total current liabilities	306	208,879	209,185	50
Noncurrent liabilities:				
Claims payable				200,000
Total noncurrent liabilities				200,000
Total liabilities	306	208,879	209,185	200,050
Net assets				
Invested in capital assets, net of related debt		39,881	39,881	
Unrestricted	39,134	53,631	92,765	153,992
Total net assets	\$ 39,134	\$ 93,512	\$ 132,646	\$ 153,992

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For Fiscal Year Ended June 30, 2012

	Enterprise Funds			Governmental
	General Education Preschool Fund	Cafeteria Enterprise Fund	Totals	Activities Internal Service Fund Self-Insurance Fund
Operating Revenues:				
Federal revenue	\$ -	\$ 1,240,050	\$ 1,240,050	\$ -
Other state revenue		113,505	113,505	
Other local revenue	39,134	688,369	727,503	9,473
Total revenues	39,134	2,041,924	2,081,058	9,473
Operating Expenses:				
Classified salaries		888,398	888,398	
Employee benefits		269,765	269,765	
Books and supplies		766,196	766,196	1,813
Contracted services and other operating expenses		80,127	80,127	12,093
Depreciation		4,985	4,985	
Other outgo		26,758	26,758	
Total expenses		2,036,229	2,036,229	13,906
Operating income (loss)	39,134	5,695	44,829	(4,433)
Income (loss) before transfers	39,134	5,695	44,829	(4,433)
Transfer in				72,855
Change in net assets	39,134	5,695	44,829	68,422
Net assets, July 1, 2011		87,817	87,817	85,570
Net assets, June 30, 2012	\$ 39,134	\$ 93,512	\$ 132,646	\$ 153,992

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Fiscal Year Ended June 30, 2012

	Enterprise Funds			Governmental Activities Internal Service Fund Self-Insurance Fund
	General Education Preschool Fund	Cafeteria Enterprise Fund	Totals	
Cash flows from operating activities:				
Cash received from Federal and State nutrition programs	\$ -	\$ 1,341,617	\$ 1,341,617	\$ -
Cash received from customers	39,440	688,369	727,809	
Cash received from insurance premiums				9,473
Cash received (paid) from (to) other funds				(72,855)
Cash paid for salaries and benefits		(1,158,163)	(1,158,163)	
Cash paid for books and supplies	(606)	(804,139)	(804,745)	(1,813)
Cash paid for contracted services and other operating expenses		(56,590)	(56,590)	(12,433)
Cash paid for other outgo		(26,758)	(26,758)	
Net cash provided (used) by operating activities	38,834	(15,664)	23,170	(77,628)
Cash flows from noncapital and related financing activities:				
Transfers from other funds				72,855
Transfers out to funds				
Net cash provided (used) by noncapital and related financing activities				72,855
Net increase (decrease) in cash and cash equivalents	38,834	(15,664)	23,170	(4,773)
Cash and cash equivalents at July 1, 2011		17,790	17,790	285,960
Cash and cash equivalents at June 30, 2012	\$ 38,834	\$ 2,126	\$ 40,960	\$ 281,187
Reconciliation to Statement of Net Assets:				
Cash in County treasury	\$ 38,834	\$ 2,126	\$ 40,960	\$ 281,187
	\$ 38,834	\$ 2,126	\$ 40,960	\$ 281,187
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 39,134	\$ 5,695	\$ 44,829	\$ (4,433)
Adjustments to reconcile operating income (loss) to net cash provided (used)				
Depreciation		4,985	4,985	
(Increase) decrease in operating assets:				
Accounts receivable		(11,938)	(11,938)	
Inventory		4,949	4,949	
Due from other funds	(606)	73,683	73,077	(72,855)
Increase (decrease) in operating liabilities:				
Accounts payable	306	18,588	18,894	(340)
Due to other funds		(111,626)	(111,626)	
Net cash provided (used) by operating activities	\$ 38,834	\$ (15,664)	\$ 23,170	\$ (77,628)

See notes to basic financial statements

NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2012

	Agency Funds			Totals
	Payroll Revolving Fund	Novato Public Access TV Fund	Student Body Funds	
Assets				
Cash in County treasury	\$ 44,024	\$ 44,544	\$ -	\$ 88,568
Cash on hand and in banks			235,252	235,252
Accounts receivable	1,719	47,274		48,993
Total assets	<u>\$ 45,743</u>	<u>\$ 91,818</u>	<u>\$ 235,252</u>	<u>\$ 372,813</u>
Liabilities				
Accounts payable	\$ 45,743	\$ 91,818	\$ -	\$ 137,561
Due to student groups			235,252	235,252
Total liabilities	<u>\$ 45,743</u>	<u>\$ 91,818</u>	<u>\$ 235,252</u>	<u>\$ 372,813</u>

See notes to basic financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The reporting entity is the Novato Unified School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide 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.

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 nonmajor funds are aggregated into one column. The internal service fund is presented on the proprietary fund statements. 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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds present increases (i.e., revenues) and decrease (i.e. expenses) in the net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For proprietary fund type activities, the District has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

D. 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. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On 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 one year after fiscal year end.

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 fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements met are recorded as deferred revenue. On the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/expenditures:

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

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

E. 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's accounts are organized into major, nonmajor, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Building Fund is used to account for the acquisition of major capital facilities and buildings from the sale of bond proceeds.

Nonmajor Governmental Funds:

Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund. The District maintains two nonmajor special revenue funds:

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations. The District maintains two nonmajor debt service funds:

1. The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.
2. The Debt Service Fund is used to account for the interest and redemption of debt issued by the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). The District maintains three nonmajor capital projects funds:

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provision of the California Environmental Quality Act (CEQA).
2. The County School Facilities Fund is used to account for apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.
3. The Special Reserve for Capital Outlay Projects Fund is used to account for the following:
 - A. Hamilton Renovation Fund (Fund #41) is used to account for expenditures incurred in the renovation of Hamilton School and other Board approved capital projects
 - B. George Roth Fund (Fund #47) was established during 1999-2000 to account for income from property donated by George Roth and expenditures for District capital projects.

Proprietary Funds:

Major Proprietary Fund

Enterprise Fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, whereas the intent is that the costs of providing services on a continuing basis be financed or recovered primarily through user charges. The District maintains two major enterprise funds:

The General Education Preschool Fund accounts for the before and after school childcare program funded by parent fees.

The Cafeteria Enterprise Fund is used to account for revenues received and expenses incurred to operate the District's nutritional service program.

The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund:

The Self-Insurance Fund, which is used to account for resources committed to the District's self-insurance program for property and liability.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains six agency funds for the student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The District also maintains two other agency funds.

1. Novato Public Television Access Fund (NPAT) is used to account for activities of the non-profit organization.
2. Payroll Revolving Fund is used to account for assets held by the District in a trustee capacity for other governmental agencies.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the fiscal 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.

G. Encumbrances

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

H. Statement of Cash Flows

For the purposes of the statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

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

Information regarding the amount of dollars invested in derivatives with the Marin County Treasury was not available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the consumption method meaning acquisitions are initially recorded in an inventory (asset) account, and are charged as expenditures when used. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the period it benefits.

4. Amortization of Bond Issuance Costs and Related Premiums and Discounts

The cost of issuance of debt and related discounts referred to as deferred charges are being amortized on the straight line method over the life of the respective debt on the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

5. Capital Assets

Capital assets are those purchased or acquired with original cost of \$10,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair 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 capital assets or materially extend the capital asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, Pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

6. Deferred Revenue

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

7. Compensated Absences

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

Accumulated employee 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.

8. Long-Term Obligations

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

9. Net Assets

The government-wide, proprietary funds, and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

10. Use of Restricted/Unrestricted Net Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

11. Fund Balances

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the district's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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

12. 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 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 of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

12. Revenue Limit/Property Tax (Continued)

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. New Accounting Pronouncements

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

For the fiscal year ended June 30, 2012, the District implemented GASB Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions*". This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments as of June 30, 2012, consisted of the following:

Cash on hand and in banks	\$ 248,584
Cash and investments with County Treasurer	33,716,238
Cash and investments with fiscal agent	273,126
Total cash and investments	<u>\$ 34,237,948</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of net assets	\$ 33,627,670
Cash on hand and in banks, statement of net assets	13,132
Cash in revolving fund, statement of net assets	200
Cash and investments with fiscal agent, statement of net assets	273,126
Cash in County Treasury, statement of fiduciary assets and liabilities	88,568
Cash on hand and in banks, statement of fiduciary assets and liabilities	235,252
Total cash and investments	<u>\$ 34,237,948</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Marin County Treasury as part of the common investment pool (\$33,716,238 as of June 30, 2012). The fair value of this pool as of that date, as provided by the plan sponsor, was \$33,716,238. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$248,384 as of June 30, 2012) and in the revolving fund (\$200) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Marin. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustee are governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit with Banks and Savings & Loans (at least A-1+)	1 Year	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Municipal Obligations	None	None	None
Federal Funds or Bankers Acceptances (at least A-1+)	1 Year	None	None
Money Market Mutual Funds, (at least Aam)	N/A	None	None
Investment Agreements	None	None	None
Guaranteed Investment Contracts (at least A-1+)	None	None	None
Local Agency Investment Fund (State Pool)	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing 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.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Marin County Investment Pool	\$ 33,716,238	\$ 33,716,238	\$ -	\$ -	\$ -
Held by COP Trustees:					
First American Treasury Obligation					
Money Market Fund	273,126	273,126			
Total	\$ 33,989,364	\$ 33,989,364	\$ -	\$ -	\$ -

NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Marin County Investment Pool	\$ 33,716,238	N/A	\$ -	\$ -	\$ -	\$ -	\$ 33,716,238
Held by COP Trustees:							
First American Treasury Obligation							
Money Market Fund	273,126			273,126			
Total	<u>\$ 33,989,364</u>		<u>\$ -</u>	<u>\$ 273,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,716,238</u>

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 that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, none of the District's deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Marin County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures exceeded appropriations in individual funds are as follows:

Fund	Excess Expenditures
Major Governmental Fund	
General Fund	
Capital Outlay	\$ 31,501
Principal	20,721
Interest and fiscal charges	265
Non-major Governmental Funds	
Adult Education Fund	
Books and supplies	47
Deferred Maintenance Fund	
Contracted services and other	15,911
Bond Interest and Redemption Fund	
Contracted services and other	243,894
Debt Service Fund	
Principal	240,000
Interest and fiscal charges	20,378

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2012, consist of the following:

	General Fund	Building Fund	Other Governmental Funds	Cafeteria Enterprise Fund	Fiduciary Funds
Federal Government					
Categorical Aid Programs	\$ 916,305	\$ -	\$ -	\$ 220,060	\$ -
State Government					
Categorical Aid Programs	1,211,217			20,167	
Lottery	85,825				
Revenue Limit	10,169,668				
Local Government					
Fees	23,183			50	47,273
Miscellaneous	40,739	1,800	452,452	156	1,720
Total Accounts Receivable	<u>\$ 12,446,937</u>	<u>\$ 1,800</u>	<u>\$ 452,452</u>	<u>\$ 240,433</u>	<u>\$ 48,993</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Due From/Due To Other Funds

Individual fund receivable and payable balances as of June 30, 2012, are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 172,619	\$ 73,461
Building Fund		1,800
Major Enterprise Funds:		
Cafeteria Enterprise Fund		170,631
General Education Preschool Fund	606	
Internal Service Fund:		
Self Insurance Fund	72,855	
Non-major Governmental Funds:		
Capital Facilities Fund	1,800	
Adult Education Fund		1,988
Totals	<u>\$ 247,880</u>	<u>\$ 247,880</u>

Interfund Transfers

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

Interfund transfers for the 2011-2012 fiscal year, are as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 30,000	\$ 1,708,532
Internal Service Fund:		
Self Insurance Fund	72,855	
Non-major Governmental Funds:		
Adult Education Fund	85,631	
Deferred Maintenance Fund	1,520,046	
Capital Facilities Fund		260,378
Non-major Debt Service Fund:		
General Education Preschool Fund	260,378	
Totals	<u>\$ 1,968,910</u>	<u>\$ 1,968,910</u>

NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2012, is shown below:

Governmental Activities:

	Balance June 30, 2011	Additions	Deletions	Completed Projects	Prior Period Adjustments	Balance June 30, 2012
Capital Assets, not being depreciated:						
Land	\$ 8,431,737	\$ -	\$ -	\$ -	\$ -	\$ 8,431,737
Construction in progress	3,316,609	9,331,562	304,488	(987,756)		11,355,927
Total capital assets not being depreciated	<u>11,748,346</u>	<u>9,331,562</u>	<u>304,488</u>	<u>(987,756)</u>		<u>19,787,664</u>
Capital Assets, being depreciated:						
Improvement of sites	26,703,339	867,925			546,835	28,118,099
Buildings and building improvements	151,861,720	779,290		987,756	177,903	153,806,669
Machinery and equipment	4,213,833	56,507			(3,864)	4,266,476
Total capital assets being depreciated	<u>182,778,892</u>	<u>1,703,722</u>		<u>987,756</u>	<u>720,874</u>	<u>186,191,244</u>
Less accumulated depreciation for:						
Improvement of sites	18,659,033	772,992			(27,852)	19,404,173
Buildings and building improvements	61,570,615	5,881,992			8,723	67,461,330
Machinery and equipment	2,974,211	211,027			(26,403)	3,158,835
Total accumulated depreciation	<u>83,203,859</u>	<u>6,866,011</u>			<u>(45,532)</u>	<u>90,024,338</u>
Total capital assets, being depreciated, net	<u>99,575,033</u>	<u>(5,162,289)</u>		<u>987,756</u>	<u>766,406</u>	<u>96,166,906</u>
Governmental activities capital assets, net	<u>\$ 111,323,379</u>	<u>\$ 4,169,273</u>	<u>\$ 304,488</u>	<u>\$ -</u>	<u>\$ 766,406</u>	<u>\$ 115,954,570</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	3,852
Instructional library, media, and technology	2,310
School site administration	4,848
Home-to-school transportation	95,498
All other general administration	9,359
Centralized data processing	32,509
Plant services	6,717,634
Total	<u>6,866,011</u>

Business-type Activities:

Capital asset activity for the fiscal year ended June 30, 2012, is shown below:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, being depreciated:				
Machinery and equipment	\$ 74,776	\$ -	\$ -	\$ 74,776
Total capital assets, being depreciated	<u>74,776</u>			<u>74,776</u>
Less accumulated depreciation for:				
Machinery and equipment	29,910	4,985		34,895
Total accumulated depreciation	<u>29,910</u>	<u>4,985</u>		<u>34,895</u>
Total capital assets, being depreciated, net	<u>44,866</u>	<u>(4,985)</u>		<u>39,881</u>
Business-type activity capital assets, net	<u>\$ 44,866</u>	<u>\$ (4,985)</u>	<u>\$ -</u>	<u>\$ 39,881</u>

Depreciation expense was charged to business-type activities as follows:

Food services	\$ 4,985
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NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – GENERAL OBLIGATION BONDS

The County of Marin, California, (the County), on behalf of the District issued (in the aggregate principal amount) \$36,800,000 of General Obligation Bonds designated as "Novato Unified School District General Obligation Bonds, Election of 2001, Series 2002" on February 26, 2003.

The County of Marin, California, (the County), on behalf of the District issued (in the aggregate principal amount) \$30,000,000 of General Obligation Bonds designated as "Novato Unified School District General Obligation Bonds, Election of 2001, Series 2005" on March 23, 2006. The Series 2005 bonds were issued at a premium of \$549,682. As of June 30, 2012, the unamortized premium balance was \$387,917.

The County of Marin, California, (the County), on behalf of the District issued (in the aggregate principal amount) \$40,200,000 of General Obligation Bonds designated as "Novato Unified School District General Obligation Bonds, Election of 2001, Series 2006" on July 14, 2006. The Series 2006 bonds were issued at a premium of \$1,885,746. As of June 30, 2012, the unamortized premium was \$1,327,879.

The bonds were authorized at a special election held on November 6, 2001, at which time 55% of the voters voting on the proposition voted to authorize the issuance and sale of not to exceed \$107,000,000 principal amount of general obligation bonds of the District to finance the repair and renovation of existing schools and to make improvements to school sites and buildings.

The outstanding general obligation bonded debt of the Novato Unified School District, as of June 30, 2012, is as follows:

Bond Issue	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Balance Outstanding July 1, 2011	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Balance Outstanding June 30, 2012
2002	2/26/2003	3.0 - 5.25	8/1/2026	\$ 36,800,000	\$ 27,075,000	\$ -	\$ 27,075,000	\$ -
2005	3/23/2006	3.0 - 5.125	8/1/2029	30,000,000	28,580,000		135,000	28,445,000
2006	7/14/2006	4.0 - 5.0	8/1/2026	40,200,000	39,365,000		650,000	38,715,000
2011	9/22/2011	2.0-5.0	8/1/2026	24,290,000		24,290,000		24,290,000
				<u>\$ 131,290,000</u>	<u>\$ 95,020,000</u>	<u>\$ 24,290,000</u>	<u>\$ 27,860,000</u>	<u>\$ 91,450,000</u>

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2012, are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	\$ 2,115,000	\$ 4,212,136	\$ 6,327,136
2014	2,025,000	4,135,638	6,160,638
2015	2,400,000	4,051,510	6,451,510
2016	2,805,000	3,944,480	6,749,480
2017	3,260,000	3,810,705	7,070,705
2018-2022	24,290,000	16,346,256	40,636,256
2023-2027	41,850,000	8,729,184	50,579,184
2028-2030	12,705,000	1,008,407	13,713,407
	<u>\$ 91,450,000</u>	<u>\$ 46,238,316</u>	<u>\$ 137,688,316</u>

NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 – CERTIFICATES OF PARTICIPATION

In April 1997, the District issued \$2,745,000 of Certificates of Participation (COPs) with interest rates ranging from 3.8 to 5.5 percent for the purpose of defeasing the 1992 issue and providing resources for specific capital projects. As of June 30, 2012, the principal balance outstanding of the 1997 COPs was \$255,000. The annual requirements to amortize certificates of participation payable outstanding as of June 30, 2012, are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	\$ 255,000	\$ 6,948	\$ 261,948
	<u>\$ 255,000</u>	<u>\$ 6,948</u>	<u>\$ 261,948</u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District’s health care plan (Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides health benefits to eligible retirees based on agreements entered into with the Novato Federation of Teachers/CFT/AFT and the local California Service Employees Association (CSEA). These agreements require the District to provide postemployment health care benefits up to \$200 monthly to certificated and management and confidential employees who retire from the District on or after attaining the age of 55, with at least 10 years of service and \$200 monthly to classified employees who retire from the District on or after attaining the age of 55, with at least 15 years of service. The benefits end when retirees reach to age of 65. Participants to the Plan include 27 retirees and 497 active employees eligible for these benefits in a future period. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from the retirees.

The Plan does not issue a separate financial report.

Funding Policy

The contribution requirement of plan members and the District are established under a funding policy approved by the District’s Board, and may be amended by the District from time to time. The District’s funding policy is to contribute an amount sufficient to pay the current year’s retiree claim costs and plan expenses. For fiscal year 2012, the District contributed \$125,963 to the plan, including current claim costs and plan expenses. No prefunding of benefits has been made.

Annual OPEB and Net OPEB Obligation

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

Annual required contribution	\$ 101,500
Interest on net OPEB obligation	(7,982)
Adjustment to annual required contribution	7,194
Annual OPEB cost (expense)	<u>100,712</u>
Contributions made	<u>(125,963)</u>
Increase (decrease) in net OPEB obligation	(25,251)
Net OPEB obligation (assets) - beginning of fiscal year	<u>(159,635)</u>
Net OPEB obligation (assets) - end of fiscal year	<u>\$ (184,886)</u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contribution	Net OPEB Obligation (Assets)
6/30/2010	\$ 107,315	112.75%	\$ (105,685)
6/30/2011	100,835	153.50%	(159,635)
6/30/2012	100,712	125.07%	(184,886)

Funded Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$823,300, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$823,300.

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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return, which is the expected long-term investment returns on plan assets expected to be held by the plan, an inflation rate of 3.5% per year, and payroll increase 3.5% per year. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a level dollar amount over 30 years. The remaining amortization period at October 1, 2009 was 30 years.

NOTE 10 – CLAIMS PAYABLE

As of June 30, 2012, a claims liability of \$200,000 has been accrued in the accompanying government-wide and fund financial statements. The District's liability for claims payable is based on claims reserves established by the claims administrators and actuarial studies. The claims liability includes an allowance for incurred, but not reported losses.

NOVATO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 – CAPITAL LEASE

The District leases four (4) computers under a master lease purchase agreement for four (4) years, which provides for title to pass upon expiration of the lease period. The fair market value of the leased assets is \$77,301 with an annual interest rate of 5.64 percent. Future minimum lease payments are as follows:

Governmental Activities:

Fiscal Years Ending June 30,	Lease Payment
2013	\$ 20,986
2014	20,986
2015	20,986
Total	62,958
Less amount representing interest	(6,378)
Present value of net minimum lease payments	<u>\$ 56,580</u>

NOTE 12 – LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2012, is shown below:

Governmental Activities:

	Balance July 1, 2011	Additions	Repayment and Reductions	Balance June 30, 2012	Due Within One Year
General Obligation Bonds	\$ 95,020,000	\$ 24,290,000	\$ 27,860,000	\$ 91,450,000	\$ 2,115,000
Bond Premiums	1,832,712	3,118,323	274,584	4,676,451	327,140
Certificates of Participation	495,000		240,000	255,000	255,000
Capital Lease Payable		77,301	20,721	56,580	17,809
Claims Payable	200,000			200,000	
Compensated Absences	434,685	2,170	62,438	374,417	168,295
Totals	<u>\$ 97,982,397</u>	<u>\$ 27,487,794</u>	<u>\$ 28,457,743</u>	<u>\$ 97,012,448</u>	<u>\$ 2,883,244</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Novato Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Novato Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The Novato Unified School District's contributions to STRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$2,451,071, \$2,418,048, and \$2,398,894, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Novato Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2011-2012, was 10.923% of annual payroll. The contribution requirements of the plan members are established by State statute. The Novato Unified School District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$1,002,584, \$1,020,120, and \$908,698, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 14 – STUDENT BODY FUNDS

The Student Body often engages in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.

NOTE 16 – JOINT VENTURES (JOINT POWER AGREEMENTS)

Joint Ventures

The District participates in a joint power agreement (JPA) with Marin School Insurance Authority (MSIA) for worker's compensation insurance. The relationship between the District and the JPA is such that JPA 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. The 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 its participation in MSIA.

NOTE 17 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are solely the property and rights of the District until paid or made available to the employee or their beneficiary, subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

The funds are currently on deposit in a financial institution with separate accounts established for each participating employee.

NOTE 18 – DEFEASED DEBT

On September 22, 2011, the 2001 General Obligations Bonds Series 2002 were fully defeased by placing a portion of proceeds from 2011 General Obligations Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account and the defeased bonds are not included in the financial statements. As of June 30, 2012, the unpaid principal balance for the defeased bonds was \$0.

The refunding resulted in a decrease of the District's total debt service payments by \$5,463,166 and an economic gain (difference between the present values of the old and new debt) of \$4,404,212.

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Government-wide Activities:

A prior period adjustment of \$720,874 was made to the governmental activities due to an overstatement of capital assets. A prior period adjustment of \$45,532 was made to the governmental activities due to an understatement of the depreciation expense resulting from the capital assets adjustments.

NOTE 20 – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 12, 2012, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

NOVATO UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionments	\$ 30,031,006	\$ 27,039,456	\$ 26,137,872	\$ (901,584)
Local sources	9,345,536	12,190,194	13,176,482	986,288
Federal	3,847,622	4,723,216	4,184,157	(539,059)
Other state	8,120,839	8,434,309	8,736,981	302,672
Other local	9,341,411	11,581,798	11,754,614	172,816
Total revenues	60,686,414	63,968,973	63,990,106	21,133
Expenditures:				
Certificated salaries	28,422,976	30,815,668	30,584,890	230,778
Classified salaries	9,049,139	10,367,832	10,208,547	159,285
Employee benefits	9,971,260	10,171,009	9,960,141	210,868
Books and supplies	2,924,455	3,546,135	2,540,438	1,005,697
Contracted services and other operating expenditures	8,173,302	10,111,590	9,163,667	947,923
Capital outlay	34,000	90,902	122,403	(31,501)
Other outgo	1,588,356	1,397,329	1,078,919	318,410
Debt service:				
Principal			20,721	(20,721)
Interest and fiscal charges			265	(265)
Total expenditures	60,163,488	66,500,465	63,679,991	2,820,474
Excess of revenues over (under) expenditures	522,926	(2,531,492)	310,115	2,841,607
Other Financing Sources (Uses):				
Proceeds from long term debt			77,301	77,301
Transfers in			30,000	30,000
Transfers out			(1,708,532)	(1,708,532)
Total other financing sources (uses)			(1,601,231)	(1,601,231)
Net change in fund balance	522,926	(2,531,492)	(1,291,116)	1,240,376
Fund balance, July 1, 2011	17,039,219	17,039,219	17,039,219	
Fund balance, June 30, 2012	\$ 17,562,145	\$ 14,507,727	\$ 15,748,103	\$ 1,240,376

NOVATO UNIFIED SCHOOL DISTRICT
 OTHER POST-EMPLOYMENT BENEFIT TREND INFORMATION
 June 30, 2012

Other Post-employment Benefits

Trend Information

Schedule of Funding Progress for
 Retiree Health Plan

Actuarial Valuation Date	Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
7/1/08	\$ 940,000	\$ -	\$ 940,000	0%	*	*
10/1/09	823,300	-	823,300	0%	41,909,100	1.96%

* Not available

SUPPLEMENTARY INFORMATION

NOVATO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Adult Education Fund	Deferred Maintenance Fund	Totals
Assets			
Cash in County treasury	\$ 65,587	\$ 1,522,969	\$ 1,588,556
Total assets	<u>\$ 65,587</u>	<u>\$ 1,522,969</u>	<u>\$ 1,588,556</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 387	\$ 397	\$ 784
Due to other funds	1,988		1,988
Total liabilities	<u>2,375</u>	<u>397</u>	<u>2,772</u>
Fund balances:			
Committed			
Adult education program	63,212		63,212
Assigned			
Deferred maintenance		1,522,572	1,522,572
Total fund balances	<u>63,212</u>	<u>1,522,572</u>	<u>1,585,784</u>
Total liabilities and fund balances	<u>\$ 65,587</u>	<u>\$ 1,522,969</u>	<u>\$ 1,588,556</u>

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NOVATO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012

	Adult Education Fund	Deferred Maintenance Fund	Totals
Revenues:			
Other local	\$ 100	\$ 38	\$ 138
Total revenues	<u>100</u>	<u>38</u>	<u>138</u>
Expenditures:			
Certificated salaries	30,259		30,259
Employee benefits	3,472		3,472
Books and supplies	1,342		1,342
Contracted services and other operating expenditures	1,598	15,911	17,509
Other outgo	1,988		1,988
Total expenditures	<u>38,659</u>	<u>15,911</u>	<u>54,570</u>
Excess of revenues over (under) expenditures	<u>(38,559)</u>	<u>(15,873)</u>	<u>(54,432)</u>
Other Financing Sources (Uses):			
Transfers in	<u>85,631</u>	<u>1,520,046</u>	<u>1,605,677</u>
Total other financing sources (uses)	<u>85,631</u>	<u>1,520,046</u>	<u>1,605,677</u>
Net change in fund balances	47,072	1,504,173	1,551,245
Fund balances, July 1, 2011	<u>16,140</u>	<u>18,399</u>	<u>34,539</u>
Fund balances, June 30, 2012	<u>\$ 63,212</u>	<u>\$ 1,522,572</u>	<u>\$ 1,585,784</u>

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Adult Education Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ -	\$ 100	\$ 100
Total revenues		100	100
Expenditures:			
Certificated salaries	50,000	30,259	19,741
Employee benefits	64,444	3,472	60,972
Books and supplies	1,295	1,342	(47)
Contracted services and other operating expenditures	2,305	1,598	707
Other outgo	4,098	1,988	2,110
Total expenditures	122,142	38,659	83,483
Excess of revenues over (under) expenditures	(122,142)	(38,559)	83,583
Other Financing Sources (Uses):			
Transfers in	90,185	85,631	(4,554)
Total other financing sources (uses)	90,185	85,631	(4,554)
Net change in fund balances	(31,957)	47,072	79,029
Fund balances, July 1, 2011	16,140	16,140	
Fund balances, June 30, 2012	\$ (15,817)	\$ 63,212	\$ 79,029

Deferred Maintenance Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ 38	\$ 38	\$ -	\$ 138	\$ 138
	38	38		138	138
			50,000	30,259	19,741
			64,444	3,472	60,972
			1,295	1,342	(47)
	15,911	(15,911)	2,305	17,509	(15,204)
			4,098	1,988	2,110
	15,911	(15,911)	122,142	54,570	67,572
	(15,873)	(15,873)	(122,142)	(54,432)	67,710
	1,520,046	1,520,046	90,185	1,605,677	1,515,492
	1,520,046	1,520,046	90,185	1,605,677	1,515,492
	1,504,173	1,504,173	(31,957)	1,551,245	1,583,202
18,399	18,399		34,539	34,539	
<u>\$ 18,399</u>	<u>\$ 1,522,572</u>	<u>\$ 1,504,173</u>	<u>\$ 2,582</u>	<u>\$ 1,585,784</u>	<u>\$ 1,583,202</u>

NOVATO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
 June 30, 2012

	Bond Interest and Redemption Fund	Debt Service Fund	Totals
Assets			
Cash in County treasury	\$ 4,351,980	\$ 13,290	\$ 4,365,270
Cash and investments with fiscal agents		273,126	273,126
	<u>4,351,980</u>	<u>286,416</u>	<u>4,638,396</u>
Total assets	<u>\$ 4,351,980</u>	<u>\$ 286,416</u>	<u>\$ 4,638,396</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities			
Fund balances:			
Restricted			
Debt service	4,351,980	286,416	4,638,396
Total fund balances	<u>4,351,980</u>	<u>286,416</u>	<u>4,638,396</u>
Total liabilities and fund balances	<u>\$ 4,351,980</u>	<u>\$ 286,416</u>	<u>\$ 4,638,396</u>

NOVATO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012

	Bond Interest and Redemption Fund	Debt Service Fund	Totals
Revenues:			
Other state	\$ 54,645	\$ -	\$ 54,645
Other local	5,756,039	31	5,756,070
Total revenues	<u>5,810,684</u>	<u>31</u>	<u>5,810,715</u>
Expenditures:			
Contracted services and other operating expenditures	243,894		243,894
Debt service:			
Principal	1,270,000	240,000	1,510,000
Interest and fiscal charges	4,191,485	20,378	4,211,863
Total expenditures	<u>5,705,379</u>	<u>260,378</u>	<u>5,965,757</u>
Excess of revenues over (under) expenditures	<u>105,305</u>	<u>(260,347)</u>	<u>(155,042)</u>
Other Financing Sources (Uses):			
Proceeds from long term debt	24,290,000		24,290,000
Premium on long term debt	3,118,323		3,118,323
Payment to Refunded Bond Escrow Agent	(27,164,429)		(27,164,429)
Transfers in		260,378	260,378
Total other financing sources (uses)	<u>243,894</u>	<u>260,378</u>	<u>504,272</u>
Net change in fund balances	349,199	31	349,230
Fund balances, July 1, 2011	<u>4,002,781</u>	<u>286,385</u>	<u>4,289,166</u>
Fund balances, June 30, 2012	<u>\$ 4,351,980</u>	<u>\$ 286,416</u>	<u>\$ 4,638,396</u>

NOVATO UNIFIED SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012

	Bond Interest and Redemption Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other state	\$ 30,000	\$ 54,645	\$ 24,645
Other local	5,828,009	5,756,039	(71,970)
Total revenues	<u>5,858,009</u>	<u>5,810,684</u>	<u>(47,325)</u>
Expenditures:			
Contracted services and other operating expenditures		243,894	(243,894)
Debt service:			
Principal	1,270,000	1,270,000	
Interest and fiscal charges	4,588,009	4,191,485	396,524
Total expenditures	<u>5,858,009</u>	<u>5,705,379</u>	<u>152,630</u>
Excess of revenues over (under) expenditures		<u>105,305</u>	<u>105,305</u>
Other Financing Sources (Uses):			
Proceeds from long term debt		24,290,000	24,290,000
Premium on long term debt		3,118,323	3,118,323
Payment to Refunded Bond Escrow Agent		(27,164,429)	(27,164,429)
Transfers in			
Total other financing sources (uses)		<u>243,894</u>	<u>243,894</u>
Net change in fund balances		349,199	349,199
Fund balances, July 1, 2011	<u>4,002,781</u>	<u>4,002,781</u>	
Fund balances, June 30, 2012	<u>\$ 4,002,781</u>	<u>\$ 4,351,980</u>	<u>\$ 349,199</u>

Debt Service Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 30,000	\$ 54,645	\$ 24,645
	31	31	5,828,009	5,756,070	(71,939)
	31	31	5,858,009	5,810,715	(47,294)
				243,894	(243,894)
	240,000	(240,000)	1,270,000	1,510,000	(240,000)
	20,378	(20,378)	4,588,009	4,211,863	376,146
	260,378	(260,378)	5,858,009	5,965,757	(107,748)
	(260,347)	(260,347)		(155,042)	(155,042)
				24,290,000	24,290,000
				3,118,323	3,118,323
				(27,164,429)	(27,164,429)
	260,378	260,378		260,378	260,378
	260,378	260,378		504,272	504,272
	31	31		349,230	349,230
286,385	286,385		4,289,166	4,289,166	
\$ 286,385	\$ 286,416	\$ 31	\$ 4,289,166	\$ 4,638,396	\$ 349,230

NOVATO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2012

	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Totals
Assets				
Cash in County treasury	\$ 779,334	\$ 4,305	\$ 1,759,706	\$ 2,543,345
Accounts receivable	452,452			452,452
Due from other funds	1,800			1,800
Total assets	<u>\$ 1,233,586</u>	<u>\$ 4,305</u>	<u>\$ 1,759,706</u>	<u>\$ 2,997,597</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 136,650	\$ -	\$ 10,767	\$ 147,417
Total liabilities	<u>136,650</u>		<u>10,767</u>	<u>147,417</u>
Fund balances:				
Restricted				
Construction	1,096,936	4,305	1,748,939	2,850,180
Total fund balances	<u>1,096,936</u>	<u>4,305</u>	<u>1,748,939</u>	<u>2,850,180</u>
Total liabilities and fund balances	<u>\$ 1,233,586</u>	<u>\$ 4,305</u>	<u>\$ 1,759,706</u>	<u>\$ 2,997,597</u>

NOVATO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2012

	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Totals
Revenues:				
Other local	\$ 2,653,589	\$ 10	\$ 4,055	\$ 2,657,654
Total revenues	<u>2,653,589</u>	<u>10</u>	<u>4,055</u>	<u>2,657,654</u>
Expenditures:				
Books and supplies	32,404			32,404
Contracted services and other operating expenditures	88,070 <u>6,456,914</u>		46,594	134,664 <u>6,456,914</u>
Total expenditures	<u>6,577,388</u>		<u>46,594</u>	<u>6,623,982</u>
Excess of revenues over (under) expenditures	<u>(3,923,799)</u>	<u>10</u>	<u>(42,539)</u>	<u>(3,966,328)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(260,378)</u>			<u>(260,378)</u>
Total other financing sources (uses)	<u>(260,378)</u>			<u>(260,378)</u>
Net change in fund balances	(4,184,177)	10	(42,539)	(4,226,706)
Fund balances, July 1, 2011	<u>5,281,113</u>	<u>4,295</u>	<u>1,791,478</u>	<u>7,076,886</u>
Fund balances, June 30, 2012	<u>\$ 1,096,936</u>	<u>\$ 4,305</u>	<u>\$ 1,748,939</u>	<u>\$ 2,850,180</u>

NOVATO UNIFIED SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Fiscal Year Ended June 30, 2012

	Capital Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 3,093,124	\$ 2,653,589	\$ (439,535)
Total revenues	<u>3,093,124</u>	<u>2,653,589</u>	<u>(439,535)</u>
Expenditures:			
Books and supplies	34,856	32,404	2,452
Contracted services and other operating expenditures	98,144	88,070	10,074
Capital outlay	7,796,274	6,456,914	1,339,360
Total expenditures	<u>7,929,274</u>	<u>6,577,388</u>	<u>1,351,886</u>
Excess of revenues over (under) expenditures	<u>(4,836,150)</u>	<u>(3,923,799)</u>	<u>912,351</u>
Other Financing Sources (Uses):			
Transfers out		(260,378)	(260,378)
Total other financing sources (uses)		<u>(260,378)</u>	<u>(260,378)</u>
Net change in fund balances	(4,836,150)	(4,184,177)	651,973
Fund balances, July 1, 2011	<u>5,281,113</u>	<u>5,281,113</u>	
Fund balances, June 30, 2012	<u>\$ 444,963</u>	<u>\$ 1,096,936</u>	<u>\$ 651,973</u>

County School Facilities Fund			Special Reserve Fund for Capital Outlay Projects		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ 10	\$ 10	\$ 6,500	\$ 4,055	\$ (2,445)
	10	10	6,500	4,055	(2,445)
			56,677	46,594	10,083
			56,677	46,594	10,083
	10	10	(50,177)	(42,539)	7,638
	10	10	(50,177)	(42,539)	7,638
4,295	4,295		1,791,478	1,791,478	
<u>\$ 4,295</u>	<u>\$ 4,305</u>	<u>\$ 10</u>	<u>\$ 1,741,301</u>	<u>\$ 1,748,939</u>	<u>\$ 7,638</u>

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2012

	Totals		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 3,099,624	\$ 2,657,654	\$ (441,970)
Total revenues	<u>3,099,624</u>	<u>2,657,654</u>	<u>(441,970)</u>
Expenditures:			
Books and supplies	34,856	32,404	2,452
Contracted services and other operating expenditures	154,821	134,664	20,157
Capital outlay	7,796,274	6,456,914	1,339,360
Total expenditures	<u>7,985,951</u>	<u>6,623,982</u>	<u>1,361,969</u>
Excess of revenues over (under) expenditures	<u>(4,886,327)</u>	<u>(3,966,328)</u>	<u>919,999</u>
Other Financing Sources (Uses):			
Transfers out		<u>(260,378)</u>	<u>(260,378)</u>
Total other financing sources (uses)		<u>(260,378)</u>	<u>(260,378)</u>
Net change in fund balances	(4,886,327)	(4,226,706)	659,621
Fund balances, July 1, 2011	<u>7,076,886</u>	<u>7,076,886</u>	
Fund balances, June 30, 2012	<u>\$ 2,190,559</u>	<u>\$ 2,850,180</u>	<u>\$ 659,621</u>

NOVATO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2012

The Novato Unified School District ("the District") was formed on July 1, 1965 and is comprised of an area of approximately 70 square miles located in the northern part of Marin County. There were no changes in the District's boundaries during the current fiscal year.

The District is operating eight elementary, three middle schools, and three high schools, one of which is a continuation high school. The District also maintains an Adult Education and Independent Study School and has issued a charter to a high school.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2012 were as follows:

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Cindi Clinton	President	November, 2015
Ross Millerick	Vice President	November, 2015
Maria Aguila	Member	November, 2013
Derek Knell	Member	November, 2013
Thomas Cooper	Member	November, 2015
Shelly Scott	Member	November, 2013
Debbie Butler	Member	November, 2015

ADMINISTRATION

Dr. Shalee Cunningham
Superintendent

Pam Conklin
Director of Human Resources

Karen Maloney
Chief Financial Officer

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2012

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	593	595
First through Third	1,711	1,706
Fourth through Sixth	1,687	1,685
Seventh and Eighth	1,043	1,040
Home and Hospital	1	2
Special Education	97	96
	<hr/>	<hr/>
Subtotals	5,132	5,124
	<hr/>	<hr/>
Secondary		
Ninth through Twelfth	2,138	2,123
Continuation Education	104	103
Home and Hospital	5	5
Special Education	68	68
	<hr/>	<hr/>
Subtotals	2,315	2,299
	<hr/>	<hr/>
Totals	<u>7,447</u>	<u>7,423</u>

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.

This schedule does not include average daily attendance information for the Marin School of Arts and Technology Charter School. The Marin School of Arts and Technology Charter School is an independent, direct funded charter school, therefore, average daily attendance information for the Charter School is reported in its independent audit report, separate from Novato Unified School District.

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2012

Grades	1982-83 Actual Minutes	Revised 1982-83 Actual Minutes	1986-87 Minutes Requirement	Revised 1986-87 Minutes Requirement	2011-12 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,860	29,736	36,000	33,600	41,145	180	In compliance
Grade 1	54,044	50,441	50,400	47,040	53,850	180	In compliance
Grade 2	54,044	50,441	50,400	47,040	53,850	180	In compliance
Grade 3	54,044	50,441	50,400	47,040	54,705	180	In compliance
Grade 4	54,044	50,441	54,000	50,400	54,705	180	In compliance
Grade 5	54,044	50,441	54,000	50,400	54,705	180	In compliance
Grade 6	54,044	50,441	54,000	50,400	58,668	180	In compliance
Grade 7	59,880	55,888	54,000	50,400	58,668	180	In compliance
Grade 8	59,880	55,888	54,000	50,400	58,668	180	In compliance
Grade 9	61,780	57,661	64,800	60,480	66,881	180	In compliance
Grade 10	61,780	57,661	64,800	60,480	66,881	180	In compliance
Grade 11	61,780	57,661	64,800	60,480	66,881	180	In compliance
Grade 12	61,780	57,661	64,800	60,480	66,881	180	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater by Education Code Section 46201.

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

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For Fiscal Year Ended June 30, 2012

<u>General Fund</u>	(Budgeted)			
	2013	2012	2011	2010
Revenues and other financial sources	\$ 61,047,656	\$ 63,990,106	\$ 63,386,354	\$ 61,771,859
Expenditures	63,629,005	63,679,991	62,789,079	60,952,849
Other uses and transfers out	443,881	1,601,231	179,704	146,173
Total outgo	64,072,886	65,281,222	62,968,783	61,099,022
Change in fund balance	(3,025,230)	(1,291,116)	417,571	672,837
Ending fund balance	\$ 12,722,873	\$ 15,748,103	\$ 17,039,219	\$ 16,621,648
Available reserves	\$ 7,012,810	\$ 13,051,332	\$ 14,247,060	\$ 7,911,307
Available reserves as a percentage of total outgo	10.95%	19.99%	22.63%	12.95%
Total long-term debt	\$ 94,129,204	\$ 97,012,448	\$ 97,982,397	\$ 99,345,210
Average daily attendance at P-2	7,520	7,447	7,414	7,325

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal 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.

The General Fund's fund balance has decreased by \$873,545 over the past two fiscal years. The fiscal year 2012-13 budget projects a decrease of \$3,025,230. For a District this size, the State recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years, and anticipates an operating deficit during the 2012-13 fiscal year. Total long-term debt has decreased by \$2,332,762 over the past two fiscal years.

Average daily attendance has increased by 122 over the past two fiscal years. ADA is anticipated to increase by 73 during the fiscal year 2012-13.

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2012

As of June 30, 2010, Novato Charter School and Marin School of Arts and Technology were no longer reported under the financial statements of the Novato Unified School District.

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog (CFDA) Number	Pass-through Entity Identification Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through the California Department of Education (CDE):			
NCLB Title I , Part A - Basic Grants Low Income and Neglected	84.010	3010	\$ 642,281
ARRA - Title I Grants to Local Educational Agencies	84.389	3011	49,681
NCLB - Title II, Part A Improving Teacher Quality Local Grants	84.367	4035	243,279
NCLB - Title III, Immigrant Education Program Assistance Grants	84.365 84.196	4201 5630	178,148 26,340
ARRA - NCLB: ARRA Title X McKinney-Vento Homeless Assistance Grants	84.387	5635	12,620
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	3310	1,312,491
Special Ed: IDEA - Preschool Sec 611	84.027A	3320	195,725
ARRA - Special Ed: ARRA IDEA Part B, Sec 611, Basic Local Assistance	84.391	3313	6,330
Special Ed: IDEA - Special Education Preschool Grants	84.173	3315	82,122
Vocational & Applied Technology Secondary I C	84.048	3550	33,326
Education Jobs Fund	84.410	3205	1,118,305
ROTC Reimbursement	84.000	5810	57,466
NCLB: Title I, Part A, Program Improvement LEA Corrective Action Responses	84.410	3185	<u>33,204</u>
Total U.S. Department of Education			<u>3,991,318</u>
U.S. Department of Health and Human Services:			
Passed through Marin County Office of Education:			
Medi-Cal Billing Option	93.778	5640	104,414
Medi-Cal Administrative Activities	93.778	0000	<u>88,425</u>
Total U.S. Department of Health and Human Services			<u>192,839</u>
U.S. Department of Agriculture :			
Passed through California Department of Education (CDE):			
National School Lunch	10.555	5310	848,668
Basic School Breakfast Program	10.553	5310	37,578
Especially Needy School Breakfast	10.553	5310	<u>353,804</u>
Total U.S. Department of Agriculture			<u>1,240,050</u>
Total Expenditures of Federal Awards			<u>\$ 5,424,207</u>

The accompanying note is an integral part of this schedule

NOVATO UNIFIED SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Novato Unified School District and is presented on 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOVATO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUALS REPORT WITH
AUDITED FINANCIAL STATEMENTS
 June 30, 2012

	<u>General Fund</u>	<u>Adult Education Fund</u>
June 30, 2012 Unaudited Actuals Report Fund Balances	<u>\$ 15,748,103</u>	<u>\$ 63,212</u>
June 30, 2012 Audited Financial Statements Fund Balances	<u>\$ 15,748,103</u>	<u>\$ 63,212</u>
	<u>Bond Interest and Redemption Fund</u>	<u>Debt Service Fund</u>
June 30, 2012 Unaudited Actuals Report Fund Balances	<u>\$ 4,351,980</u>	<u>\$ 286,416</u>
June 30, 2012 Audited Financial Statements Fund Balances	<u>\$ 4,351,980</u>	<u>\$ 286,416</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities of the long-term liabilities as reported on the unaudited actuals to the audited financial statements.

<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>
<u>\$ 1,522,572</u>	<u>\$ 17,614,766</u>	<u>\$ 1,096,936</u>	<u>\$ 4,305</u>	<u>\$ 1,748,939</u>
<u>\$ 1,522,572</u>	<u>\$ 17,614,766</u>	<u>\$ 1,096,936</u>	<u>\$ 4,305</u>	<u>\$ 1,748,939</u>

<u>Cafeteria Enterprise Fund</u>	<u>General Education Preschool</u>	<u>Self-Insurance Fund</u>
<u>\$ 93,512</u>	<u>\$ 39,134</u>	<u>\$ 153,992</u>
<u>\$ 93,512</u>	<u>\$ 39,134</u>	<u>\$ 153,992</u>

	<u>Long-Term Debt</u>
June 30, 2012 Unaudited Actuals Report Total Liabilities	\$ 96,295,213
Understatement of capital leases payable	56,580
Overstatement of general obligation bonds payable	(2,300,000)
Understatement of bond premiums	<u>2,960,655</u>
June 30, 2012 Audited Financial Statements Long-Term Debt Total Liabilities	<u>\$ 97,012,448</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**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
Novato Unified School District
Novato, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Novato Unified School District (District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the Novato Unified School District's basic financial statements and have issued our report thereon dated December 12, 2012. 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 opinions 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 a 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 the 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 the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 2012-1 through 2012-4 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Novato Unified School District's responses and accordingly, we express no opinion on the responses.

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 12, 2012



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Novato Unified School District
Novato, California

We have audited the Novato Unified 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 2011-2012, issued by the California Education Audit Appeals Panel as regulations for the fiscal year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Novato Unified School District's management. Our responsibility is to express an opinion on Novato Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental 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 2011-2012, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Novato Unified 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 on Novato Unified School District's compliance with the state laws and regulations referred to above.

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

Table with 3 columns: Description, Procedures in Panel's Audit Guide, Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time for School Districts, County Offices of Education, Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries.

Description	Procedures in Panel's Audit Guide	Procedures Performed
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charters Schools with only One School Serving K-3	4	Not Applicable
After School Education and Safety Program		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Contemporaneous Records of Attendance, for Charter Schools	3	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	4	Not Applicable

In our opinion, the Novato Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2012.

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 12, 2012



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

Board of Education
Novato Unified School District
Novato, California

Compliance

We have audited the compliance of the Novato Unified School District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Novato Unified School District's management. Our responsibility is to express an opinion on the Novato Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Novato Unified 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 legal determination on the Novato Unified School District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 12, 2012

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FINDINGS AND RECOMMENDATIONS SECTION

NOVATO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _____ Yes X None reported

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

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

Identification of major programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553</u>	<u>Child Nutrition Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>

Dollar threshold used to distinguish between Type A
 and Type B programs: \$300,000

Auditee qualified as low-risk auditee: X Yes _____ No

State Awards

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _____ Yes X None reported

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

Section II - Financial Statement Findings

FINDING 2012-1
PAYROLL SYSTEM
INTERNAL CONTROL
30000

Condition:

During our review of payroll internal control, we noted that there was a lack of review when the human resources technician input employee's information into the system.

Effect:

Lack of internal control and review over human resources can create an environment that contributes to errors in accounting as well as a potential misappropriation of funds.

Cause:

Lack of internal control, oversight, and segregation of duties on the part of the District.

Recommendation:

We recommend that controls and independent oversight be implemented in order to properly safeguard assets and funds.

LEA's Corrective Action Plan:

The LEA will establish a check and balance within Human Resources personnel and between Human Resources and the Payroll department. Personnel will review one another's calculations and initial to provide documentation of such review. Detailed directions for processes that occur occasionally (i.e. compensation increases) will be maintained to ensure accuracy.

Section II - Financial Statement Findings (Continued)

FINDING 2012-2
REVENUE SYSTEM
INTERNAL CONTROL
30000

Condition:

During our internal control testing of revenue system, we noted several deficiencies over the facility use rental revenues as follows:

1. There was a lack of control over the billing processes.
2. Cash and check deposits for the facilities' keys are held for a long period of time and deposits to the bank were not done in timely manner.
3. There was a lack of supporting documentation for the billings.
4. There was a lack of segregation of duties. It was noted that the person who is in charge of billing also posts the rental payments and manages the reservation system.

Effect:

The lack of internal control, oversight, and segregation of duties over the billings and revenue system could lead to misappropriation of funds. In addition, the lack of supporting documents and untimely deposits increase the likelihood of irregularities that may go undetected.

Cause:

Lack of oversight and control over the revenue system on the part of the District.

Recommendation:

We recommend that the District implement procedures to segregate the duties of the billing process and revenue collections and ensure that there is sufficient internal control over the billing processes in place and all supporting documents are retained. In addition, deposits need to be performed in timely manner to reduce the likelihood of a misappropriation of funds.

LEA's Corrective Action Plan:

The facility use invoices are prepared by the account technician, invoices are now audited and verified by the Business Manager using the approved fee schedule and supporting documentation. The reservation system for facility use is managed by facilities coordinator.

Cash and check key deposits for facilities' keys will be held for short term rentals and will be returned to the renter when the keys are received. For long term rentals, checks or cash for key deposits will be immediately deposited into the bank.

Section II - Financial Statement Findings (Continued)

FINDING 2012-3
ASSOCIATED STUDENT BODY
INTERNAL CONTROL
30000

Condition:

During our review of ASB cash disbursements at Sinaloa Middle School and San Jose Middle School, we noted that ASB disbursements were not accompanied by sufficient supporting documentation. In addition, at San Jose Middle School, it was also noted that not all ASB expenditures were approved and documented in the meeting minutes, the PAID stamp was not frequently used to ensure there was no duplicate payments, and one of the disbursements items was not approved by either the ASB Treasurer, Activities Director, or the ASB Administrator as the authorized personnel prior to the payment. Furthermore, there was a lack of segregation of duties over ASB expenditures system at San Jose Middle School. We noted that the person who reviews and approves invoices also inputs the transactions into the system, cuts the checks, mails the payments, and reconciles the accounts.

Effect:

The lack of segregation of duties and supporting documents over cash disbursements could lead to a misappropriation of funds that may go undetected. The absence of a PAID stamp on invoices may cause a duplicate payment and a misappropriation of cash might occur when there was no approval on the invoice prior to payment or approval documented in the ASB meeting minutes.

Cause:

The lack of oversight on the part of the ASB office.

Recommendation:

We recommend that the District implement stronger controls and/or train its ASB staff and advisors on the laws, rules, and regulations as they relate to ASB compliance over cash disbursements. In addition, the District needs to ensure there is an adequate segregation of duties in the expenditures process.

LEA's Corrective Action Plan:

The District concurs with the audit finding and will work with Sinaloa and San Jose Middle schools to establish stronger controls and appropriate segregation of duties in the handling of ASB funds. The ASB bookkeeper, administration and advisors will be provided training at FCMAT's ASB Workshop held in January 2013.

Section II - Financial Statement Findings (Continued)

FINDING 2012-4
ASSOCIATED STUDENT BODY
INTERNAL CONTROL
30000

Condition:

During our review of ASB cash receipts at Sinaloa Middle School, San Jose Middle School, and San Marin High School, we noted several deficiencies as follow:

- School: Sinaloa Middle School:
 1. There was a lack of supporting documentation for the cash portion of donations received.
 2. No cash receipts were issued when student clubs turned in money to ASB office clerk.
 3. No inventory study or analysis was performed for the student store.
 4. There was no cash sales report generated for student store.
- School: San Jose Middle School:
 1. There was a lack of audit trail for cash received for donations and promotion income since the cash receipts book is not in use for all transactions. Cash receipts are only used for graduation gowns money collected at the end of the school year; however, the receipts are not pre-numbered.
 2. Cash receipts were booked to the QuickBooks on the date of deposit, not when the money was received.
 3. There was a lack of segregation of duties. The person who receives the money also inputs the transactions into the system, deposits the money to the bank, reconciles the accounts, and has the only access to safe.
- School: San Marin High School:
 1. There was a lack of supporting documentation for online and on-site cash receipts.
 2. No cash receipts were issued when student clubs turned in money to ASB office clerk.

Effect:

The lack of segregation of duties, pre-numbered cash receipts book, and lack of supporting documents could lead to a misappropriation of funds that may go undetected.

Cause:

The lack of oversight on the part of the ASB office.

Recommendation:

We recommend that the District implement stronger controls and/or train its ASB staff and advisors on the laws, rules, and regulations as they relate to ASB compliance over the cash receipts process. In addition, the District needs to ensure there is an adequate segregation of duties and supporting documentation obtained for all cash receipts. In addition, the District needs to implement the use of cash receipts book for all cash received.

LEA's Corrective Action Plan:

The District concurs with the audit finding and will work with Sinaloa, San Jose Middle, and San Marin High schools to establish stronger controls and appropriate segregation of duties in the handling of ASB funds. The ASB bookkeeper, administration and advisors will be provided training at FCMAT's ASB Workshop held in January 2013.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings.

Section IV – State Award Findings and Questioned Costs

There were no state award findings.

Section I - Financial Statement Findings

FINDING 2011-1
FOOD SERVICE
INTERNAL CONTROL
30000

Condition:

During our review of internal control testing of cash receipts at food services, we noted that a control deficiency exists whereby the personnel receiving the cash bag deposits from the school sites, counts and verifies the cash receipts as well as makes changes to the sales reports and the currency counter in the system. No oversight, controls, or segregation of duties exist to ensure that the person receiving and counting the cash receipts is not posting unauthorized changes to the sales report or currency counter.

Effect:

Lack of internal control, oversight, and segregation of duties of food services can create an environment that contributes to errors in accounting as well as a potential misappropriation of funds.

Cause:

Lack of internal control, oversight, and segregation of duties on the part of the District.

Recommendation:

We recommend that controls and independent oversight be implemented in order to properly safeguard assets and funds.

Current Status:

Implemented.

Section I - Financial Statement Findings (Continued)

FINDING 2011-2
EXPENDITURES SYSTEM
INTERNAL CONTROL
30000

Condition:

During our internal control testing of expenditures, it was noted that the District does not have formal purchasing policies and procedures. Therefore, not all purchases have purchase orders as approvals prior to the goods and services being rendered. While a pay voucher request is submitted for approval of payments, it does not have prior approval (purchase orders) on commitments to goods and services provided by vendors.

Effect:

The District is unable to address budget concerns in a timely and effective manner.

Cause:

Lack of formal purchasing policies and procedures requiring prior approvals before purchase commitments.

Recommendation:

We recommend that the District formalize purchasing policies and procedures and ensure that all purchases have approved purchase orders before commitments are made with vendors.

Current Status:

Implemented.

Section I - Financial Statement Findings (Continued)

FINDING 2011-3
Accounts Payable
30000

Condition:

During our test of other postemployment benefit balances, we note that the District's portion of retiree health insurance benefits was not recorded to expenditure accounts when the payment was disbursed. Instead, all payments were recorded as a reduction of the liability account (Retiree H&W Object 9529). The District reconciles the insurance benefits yearly.

Effect:

Without reconciling the Retiree H&W account monthly, the District is unable to identify errors in a timely manner.

Cause:

Lack of oversight on the part of the District.

Recommendation:

We recommend that the District reconcile the payment monthly and allocate payment to expenditure accounts.

Current Status:

Implemented.

Section I - Financial Statement Findings (Continued)

FINDING 2011-4
General
30000

Condition:

During our review of compensated absences, we noted that the amount of vacation hours that members of the Classified Supervisor Union can accumulate was set up incorrectly in the system.

Effect:

The system set up to calculate the vacation accrued hours is not in compliance with the vacation accrual policy per the Memorandum of Understanding.

Cause:

Lack of oversight on the part of the District.

Recommendation:

We recommend that accounting personnel review vacation accrual reports generated from the system after a new vacation accrual policy is set up.

Current Status:

Implemented.

Section I - Financial Statement Findings (Continued)

FINDING 2011-5
ASSOCIATED STUDENT BODY
INTERNAL CONTROL
30000

Condition:

During our review of ASB cash disbursements at San Marin High School and San Jose Middle School, we noted that ASB funds were improperly used as gifts/donations to a non-profit organization.

Effect:

The District is not in compliance with California Constitution, Article 16, section 6 which prohibits making any gift of public funds to any individual or entity. The law clearly regards the misappropriation of public funds as a criminal act, with no minimum monetary limit specified, so it is imperative that the ASB avoid gifts of any amount.

Cause:

Lack of oversight on the part of the ASB office.

Recommendation:

We recommend that the District implement stronger controls and/or train its ASB staff and advisors on the laws, rules, and regulations as they relate to ASB compliance. In addition, funds raised for donations or supporting charities should not be commingled with ASB funds. All donations should be made directly to the non-profit organizations.

Current Status:

Implemented.

Section II – Federal Award Findings and Questioned Costs

There were no federal award findings.

Section III – State Award Findings and Questioned Costs

There were no state award findings.