

KENTFIELD SCHOOL DISTRICT

MEASURE D - BUILDING FUND

**MARIN COUNTY
KENTFIELD, CALIFORNIA**

FINANCIAL AUDIT

JUNE 30, 2015

**KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
FINANCIAL AUDIT
JUNE 30, 2015**

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Kentfield School District

and

Citizens' Oversight Committee
Measure D, General Obligation Bonds, Election of 2014

Report on the Financial Statements

We have audited the basic financial statements of Kentfield School District for the year ended June 30, 2015, and have issued our report thereon dated December 4, 2015. We have also audited the accompanying Measure D - Building Fund Balance Sheet, and Statement of Revenues, Expenditures, and Change in Fund Balance of the Kentfield School District, as of and for the year ended June 30, 2015, and the related notes to these financial statements which collectively comprise the Measure D - Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Education
Kentfield School District/
Citizens' Oversight Committee
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure D - Building Fund of the Kentfield School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the Kentfield School District's internal control over Measure D - Building Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Measure D - Building Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kentfield School District's internal control over Measure D - Building Fund financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 4, 2015

KENTFIELD SCHOOL DISTRICT

MEASURE D - BUILDING FUND

BALANCE SHEET

JUNE 30, 2015

Assets

| | |
|-----------------------------------|----------------------|
| Deposits and Investments (Note 2) | \$ 11,875,086 |
| Total Assets | <u>\$ 11,875,086</u> |

Liabilities and Fund Balance

| | |
|------------------------------------|----------------------|
| Liabilities: | |
| Due to General Fund | \$ 117,077 |
| Fund Balance: | |
| Restricted: | |
| Restricted for Measure D Projects | <u>11,758,009</u> |
| Total Liabilities and Fund Balance | <u>\$ 11,875,086</u> |

KENTFIELD SCHOOL DISTRICT

MEASURE D - BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenues

| | |
|------------------|-------------------|
| Bond Proceeds | \$ 12,042,000 |
| Interest Revenue | 5,086 |
| Total Revenues | <u>12,047,086</u> |

Expenditures

| | |
|--------------------------------------|----------------|
| Professional and Consulting Services | 178,977 |
| Building and Improvements | 110,100 |
| Total Expenditures | <u>289,077</u> |

| | |
|----------------------------|------------|
| Net Change in Fund Balance | 11,758,009 |
|----------------------------|------------|

| | |
|-----------------------------|----------|
| Fund Balance - July 1, 2014 | <u>0</u> |
|-----------------------------|----------|

| | |
|------------------------------|-----------------------------|
| Fund Balance - June 30, 2015 | <u><u>\$ 11,758,009</u></u> |
|------------------------------|-----------------------------|

KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 4, 2014, the Measure D, General Obligation Bonds, Election of 2014, were authorized at a general election of the registered voters of the District, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of general obligation bonds with a principal amount not to exceed \$30,000,000.

The bond proceeds are accounted for in the Building Fund of the District, where they are expended for approved projects. The Measure D - Building Fund financial statements are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Measure D - Building Fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

D. Use of Estimates

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

E. Deposits and Investments

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

KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

E. Deposits and Investments (Concluded)

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

County Pool Investments \$ 11,875,086

County Pool Investments

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

General Authorization

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

| <u>Authorized Investment Type</u> | <u>Maximum Remaining Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|---|--|---|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations / Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual & Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

**KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Segmented Time Distribution

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

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>More Than 1 Year</u> |
|-------------------------|-----------------------|-------------------|-------------------------|-------------------------|
| County Pool Investments | \$ 11,875,086 | \$ 11,877,651 | \$ 10,439,863 | \$ 1,435,223 |

Credit Risk

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

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Rating as of Year End</u> | | |
|-------------------------|-----------------------|-------------------|------------------------------|-----------|----------------|
| | | | <u>AAA</u> | <u>Aa</u> | <u>Unrated</u> |
| County Pool Investments | \$ 11,875,086 | \$ 11,877,651 | | | \$ 11,875,086 |

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2015, the District does not have any investments of this type.

**KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

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

Derivative Investments

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

NOTE 3 - GENERAL OBLIGATION BONDS

On May 13, 2015, the District issued \$12,000,000 of Series A general obligation bonds with interest rates ranging from 3.0% to 5.0%. The general obligation bonds were issued to finance modernization, renovation, and/or construction of classrooms, restrooms and school facilities. The bonds were authorized at an election of registered voters in the District held on November 4, 2014, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of general obligation bonds not to exceed the principal amount of \$30,000,000. After the issuance of the Series A bonds, \$18,000,000 of general obligation bonds remain under the 2014 Authorization.

The general obligation bonds are obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest and principal of the bonds. The County records the collection of taxes and payments of bond principal and interest in a separate fund, which is not reported here.

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

| <u>Series</u> | <u>Interest Rate %</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2014</u> | <u>Issued Current Year</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2015</u> |
|---------------|------------------------|----------------------|---------------------------------|---------------------------------|----------------------------|------------------------------|----------------------------------|
| A | 3.00-5.00 | 8/1/44 | \$ 12,000,000 | \$ 0 | \$ 12,000,000 | \$ 0 | \$ 12,000,000 |

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Measure D - Building Fund of the District.

**KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 4, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Education
Kentfield School District

and

Citizens' Oversight Committee
Measure D, General Obligation Bonds, Election of 2014

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Measure D - Building Fund Balance Sheet, and Statement of Revenues, Expenditures, and Change in Fund Balance of the Kentfield School District, as of and for the year ended June 30, 2015, and the related notes to these financial statements, which collectively comprise the Measure D - Building Fund's basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure D - Building Fund'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 the Measure D - Building Fund's financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters related to Measure D - Building Fund that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 4, 2015

FINDINGS AND RECOMMENDATIONS SECTION

**KENTFIELD SCHOOL DISTRICT
MEASURE D - BUILDING FUND
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

There are no matters to report for the fiscal year ended June 30, 2015.