

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
COUNTY OF MARIN  
SAUSALITO, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2011**



SAUSALITO MARIN CITY SCHOOL DISTRICT

JUNE 30, 2011

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SAUSALITO MARIN CITY SCHOOL DISTRICT

JUNE 30, 2011

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## FINANCIAL SECTION



**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Sausalito Marin City School District  
Sausalito, California

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011 on our consideration of Sausalito Marin City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 49, and the Schedule of Funding Progress on page 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2011



**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 22, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial status declined during fiscal year 2010-11, as total net assets decreased 7.6%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$691,025.
- Capital assets, net of depreciation, increased \$289,693 due primarily to current year additions for the Willow Creek Academy Turnaround and Portables projects.
- Total long-term liabilities decreased \$441,843, due primarily to the current year reduction of the District's obligations for general obligation bonds and certificates of participation.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures exceeded total current year revenues by \$959,777, due primarily to the spending down of certificates of participation proceeds received in a prior fiscal year.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2010-11, General Fund expenditures and other financing uses totaled \$6,453,704. At June 30, 2011, the District has available reserves of \$1,382,942 in the General Fund, which represents a reserve of 21.4%.

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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**THE FINANCIAL REPORT**

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

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

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

**Reporting the District as a Whole**

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

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

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

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District as a Whole (Concluded)**

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

*Governmental Activities:*

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

*Business-type Activities:*

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

**Reporting the District's Most Significant Funds**

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

*Governmental Funds:*

The major governmental funds of Sausalito Marin City School District are the General Fund, Bond Interest and Redemption Fund, Corporation Debt Service Fund, Capital Projects - Special Reserve Fund, and Corporation Acquisition Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds:*

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

*Fiduciary Funds:*

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

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

**GOVERNMENTAL ACTIVITIES**

The District's total net assets decreased from \$9,110,509 at June 30, 2010, down to \$8,419,484 at June 30, 2011, a decrease of 7.6%.

<b><u>Comparative Statement of Net Assets</u></b>		
	Governmental Activities	
	2010	2011
<b><u>Assets</u></b>		
Deposits and Investments	\$ 4,493,544	\$ 3,744,703
Current Receivables	527,342	407,840
Long-term Receivable	1,497,734	1,022,734
OPEB Assets	715	2,735
Capital Assets, net	21,776,242	22,065,935
Total Assets	28,295,577	27,243,947
<b><u>Liabilities</u></b>		
Current	1,316,619	1,444,739
Long-term	17,868,449	17,379,724
Total Liabilities	19,185,068	18,824,463
<b><u>Net Assets</u></b>		
Invested in Capital Assets		
- Net of Related Debt *	5,586,936	5,509,472
Restricted *	2,173,861	1,557,179
Unrestricted *	1,349,712	1,352,833
Total Net Assets	\$ 9,110,509	\$ 8,419,484

\* The prior year balances have been adjusted to ensure comparability.

Table includes financial data of the combined governmental funds

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$691,025.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 933	
Operating Grants & Contributions	1,236,369	\$ 1,977,706
Capital Grants & Contributions	58	12
<b><u>General Revenues</u></b>		
Taxes Levied	4,633,331	4,373,227
Federal & State Aid	825,891	829,216
Interest & Investment Earnings	38,552	18,620
Transfers from Other Agencies	12,309	58,991
Miscellaneous	112,667	148,958
<b>Total Revenues</b>	<b><u>6,860,110</u></b>	<b><u>7,406,730</u></b>
<b><u>Expenses</u></b>		
Instruction	3,164,330	3,220,540
Instruction-Related Services	911,422	895,049
Pupil Services	437,887	675,037
General Administration	1,059,579	1,294,000
Plant Services	704,243	705,984
Ancillary Services	5,826	1,074
Interest on Long-Term Debt	816,530	800,316
Other Outgo	507,454	505,755
<b>Total Expenses</b>	<b><u>7,607,271</u></b>	<b><u>8,097,755</u></b>
<b>Change in Net Assets</b>	<b><u>\$ (747,161)</u></b>	<b><u>\$ (691,025)</u></b>

*Table includes financial data of the combined governmental funds*

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

(PREPARED BY DISTRICT MANAGEMENT)

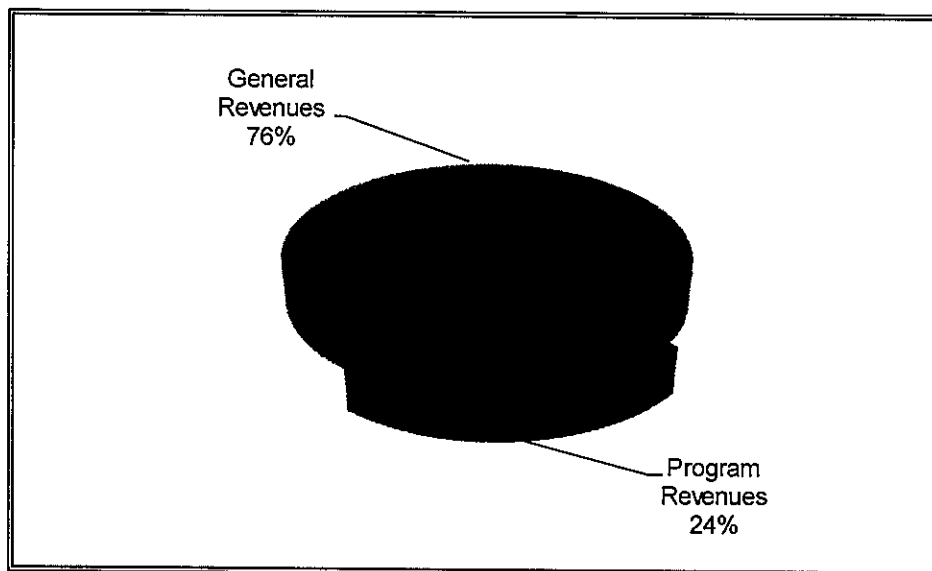
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

	<b><u>Comparative Schedule of Costs of Services</u></b>			
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2010	2011	2010	2011
Instruction	\$ 3,164,330	\$ 3,220,540	\$ 2,463,324	\$ 2,337,043
Instruction-Related Services	911,422	895,049	671,489	579,504
Pupil Services	437,887	675,037	290,161	408,287
General Administration	1,059,579	1,294,000	1,052,751	1,000,471
Plant Services	704,243	705,984	701,543	703,486
Ancillary Services	5,826	1,074	5,826	1,074
Interest on Long-Term Debt	816,530	800,316	816,530	800,316
Other Outgo	507,454	505,755	368,287	289,856
<b>Totals</b>	<b>\$ 7,607,271</b>	<b>\$ 8,097,755</b>	<b>\$ 6,369,911</b>	<b>\$ 6,120,037</b>

*Table includes financial data of the combined governmental funds*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$6,120,037 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



Program revenues financed 24% of the total cost of providing the services listed above, while the remaining 76% was financed by the general revenues of the District.

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

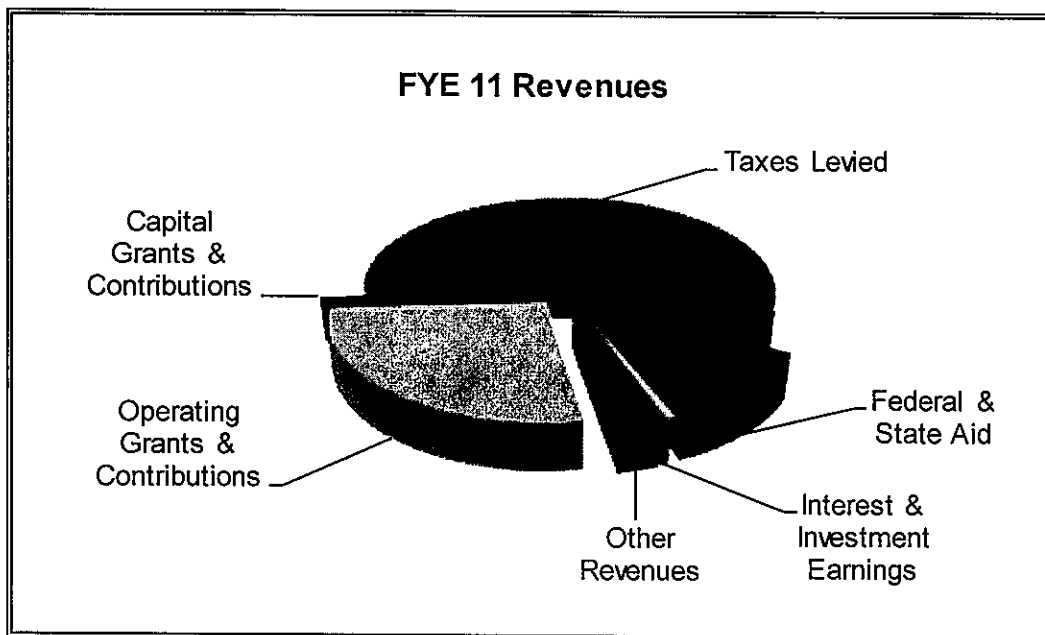
(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b><u>Schedule of Revenues For Governmental Functions</u></b>				
	<u>FYE 2010 Amount</u>	<u>Percent of Total</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>
<b><u>Program Revenues</u></b>				
Charges for Services	\$ 933	0.01%		
Operating Grants & Contributions	1,236,369	18.02%	\$ 1,977,706	26.70%
Capital Grants & Contributions	58	0.00%	12	0.00%
<b><u>General Revenues</u></b>				
Taxes Levied	4,633,331	67.54%	4,373,227	59.04%
Federal & State Aid	825,891	12.04%	829,216	11.20%
Interest & Investment Earnings	38,552	0.56%	18,620	0.25%
Other Revenues	124,976	1.82%	207,949	2.81%
<b>Total Revenues</b>	<b><u>\$ 6,860,110</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 7,406,730</u></b>	<b><u>100.00%</u></b>

*Table includes financial data of the combined governmental funds*



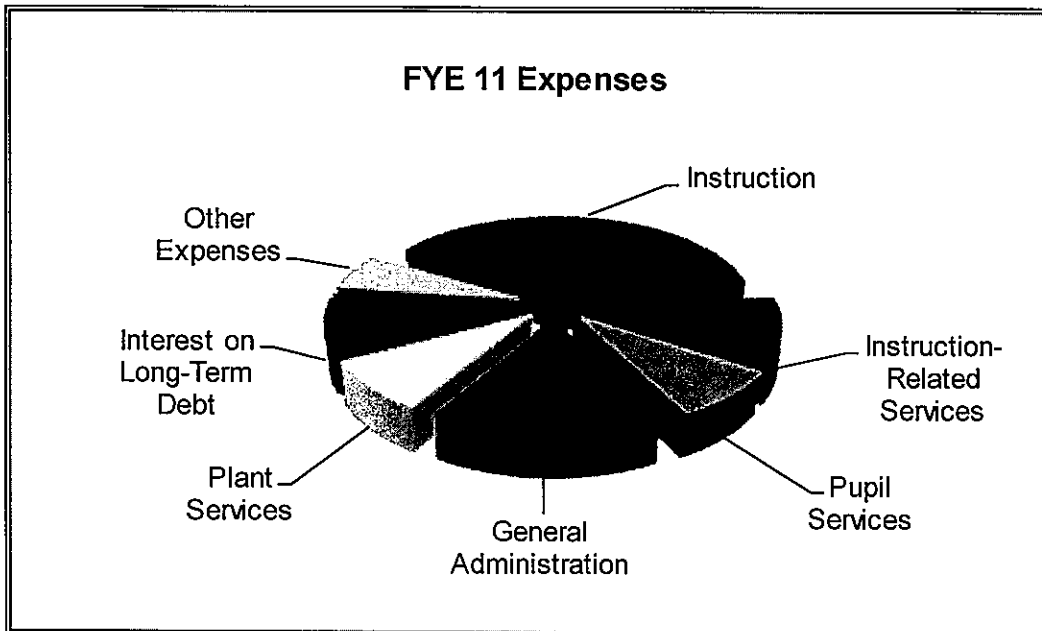
**SAUSALITO MARIN CITY SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
 (PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b><u>Schedule of Expenses For Governmental Functions</u></b>				
<b><u>Expenses</u></b>	<b><u>FYE 2010 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>FYE 2011 Amount</u></b>	<b><u>Percent of Total</u></b>
Instruction	\$ 3,164,330	41.60%	\$ 3,220,540	39.77%
Instruction-Related Services	911,422	11.98%	895,049	11.05%
Pupil Services	437,887	5.76%	675,037	8.34%
General Administration	1,059,579	13.93%	1,294,000	15.98%
Plant Services	704,243	9.26%	705,984	8.72%
Interest on Long-Term Debt	816,530	10.73%	800,316	9.88%
Other Expenses	513,280	6.75%	506,829	6.26%
<b>Total Expenses</b>	<b><u>\$ 7,607,271</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 8,097,755</u></b>	<b><u>100.00%</u></b>

*Table includes financial data of the combined governmental funds*





**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2010	2011
Land	\$ 948,870	\$ 948,870
Sites and Improvements	1,384,149	1,970,254
Buildings and Improvements	22,974,892	23,014,075
Furniture and Equipment	392,037	404,019
Work-in-Progress	65,202	514,852
Subtotals	25,765,150	26,852,070
Less: Accumulated Depreciation	(3,988,908)	(4,786,135)
Capital Assets, net	<u>\$ 21,776,242</u>	<u>\$ 22,065,935</u>

Capital assets, net of depreciation, increased \$289,693 due primarily to current year additions for the Willow Creek Academy Turnaround and Portables projects.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2010	2011
Compensated Absences	\$ 19,415	\$ 7,812
General Obligation Bonds	15,782,394	15,742,068
Capital Leases	1,103,130	1,087,880
Certificates of Participation	1,635,000	1,235,000
Early Retirement Incentives	42,200	67,536
Totals	<u>\$ 18,582,139</u>	<u>\$ 18,140,296</u>

Total long-term liabilities decreased \$441,843, due primarily to the current year reduction of the District's obligations for general obligation bonds and certificates of participation.

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by the local taxpayers and represent 86.8% of the District's total long-term liabilities.

The capital leases are financed by the General Fund, and represent 6.0% of the District's total long-term liabilities.

The certificates of participation are financed by the proceeds from the Martin Luther King Jr. Site Lease/Purchase agreement with the City of Sausalito, and represent 6.8% of the District's total long-term liabilities.

The obligations for compensated absences and early retirement incentives are financed by the General Fund, and make up the remaining total long-term liabilities.

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

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	Fund Balances June 30, 2010	Fund Balances June 30, 2011	Increase (Decrease)
General *	\$ 1,587,369	\$ 1,650,441	\$ 63,072
Bond Interest & Redemption	541,754	548,851	7,097
Corporation Debt Service	323,513	323,509	(4)
Capital Projects - Special Reserve	42,866	24,429	(18,437)
Corporation Acquisition	1,721,205	638,582	(1,082,623)
Deferred Maintenance	400	5,341	4,941
Cafeteria	40	749	709
Debt Service	420,893	487,749	66,856
Building	225	245	20
County School Facilities	2,374	966	(1,408)
<b>Totals</b>	<b>\$ 4,640,639</b>	<b>\$ 3,680,862</b>	<b>\$ (959,777)</b>

*\* The prior year balance has been adjusted to ensure comparability (Note 21)*

The combined fund balances of all District funds decreased \$959,777, due primarily to the spending down of certificates of participation proceeds received in a prior fiscal year in the Corporation Acquisition Fund.

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(PREPARED BY DISTRICT MANAGEMENT)**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original and final budgets for fiscal year 2010-11 are presented alongside the actual results on page 49.

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

- The District is expected to maintain its basic aid status during fiscal year 2011-12. Due to student transiency, forecasting elementary enrollment is challenging and per pupil expenditures difficult to calculate.
- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Sausalito Marin City School District, 200 Phillips Drive, Marin City, California 94965.

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 3,744,703
Receivables (Note 4)	407,840
Long-Term Receivable (Note 5)	1,022,734
OPEB Asset (Note 1J)	2,735
Capital Assets: (Note 7)	
Land	948,870
Sites and Improvements	1,970,254
Buildings and Improvements	23,014,075
Furniture and Equipment	404,019
Work-in-Progress	514,852
Less: Accumulated Depreciation	(4,786,135)
<b>Total Assets</b>	<b>27,243,947</b>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	672,729
Deferred Revenue (Note 1J)	11,438
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1J)	7,812
General Obligation Bonds	
Current Interest	305,000
Capital Leases	15,876
Certificates of Participation	415,000
Early Retirement Incentives	16,884
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 8)	
Current Interest	10,885,000
Capital Appreciation	4,552,068
Capital Leases (Note 9)	1,072,004
Certificates of Participation (Note 10)	820,000
Early Retirement Incentives (Note 11)	50,652
<b>Total Liabilities</b>	<b>18,824,463</b>
<b><u>Net Assets</u></b>	
Investment in Capital Assets, Net of Related Debt	5,509,472
Restricted:	
For Capital Projects	1,048,129
For Debt Service	277,965
For Educational Programs	227,310
For Other Purposes	3,775
Unrestricted	1,352,833
<b>Total Net Assets</b>	<b>\$ 8,419,484</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>Governmental Activities</u></b>					
Instruction	\$ 3,220,540		\$ 883,485	\$ 12	\$ (2,337,043)
Instruction-Related Services:					
Supervision of Instruction	295,705		175,631		(120,074)
Instructional Library and Technology	53,907				(53,907)
School Site Administration	545,437		139,914		(405,523)
Pupil Services:					
Home-to-School Transportation	179,369		457		(178,912)
Food Services	161,088		97,301		(63,787)
Other Pupil Services	334,580		168,992		(165,588)
General Administration:					
Data Processing Services	13,035		615		(12,420)
Other General Administration	1,280,965		292,914		(988,051)
Plant Services	705,984		2,498		(703,486)
Ancillary Services	1,074				(1,074)
Interest on Long-Term Debt	800,316				(800,316)
Other Outgo	505,755		215,899		(289,856)
<b>Total Governmental Activities</b>	<b>\$ 8,097,755</b>	<b>\$ 0</b>	<b>\$ 1,977,706</b>	<b>\$ 12</b>	<b>(6,120,037)</b>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					3,598,014
Taxes Levied for Debt Service					775,213
Federal and State Aid - Unrestricted					829,216
Interest and Investment Earnings					18,620
Transfers from Other Agencies					58,991
Miscellaneous					148,958
<b>Total General Revenues</b>					<b>5,429,012</b>
Change in Net Assets					(691,025)
Net Assets - July 1, 2010					9,110,509
Net Assets - June 30, 2011					<b>\$ 8,419,484</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SAUSALITO MARIN CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Corporation Debt Service</u>
<b><u>Assets</u></b>			
Deposits and Investments (Note 2)	\$ 1,596,638	\$ 548,851	\$ 323,509
Receivables (Note 4)	392,349		
Long-Term Receivable (Note 5)			
Due from Other Funds (Note 6)	45,252		
<b>Total Assets</b>	<b>\$ 2,034,239</b>	<b>\$ 548,851</b>	<b>\$ 323,509</b>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts Payable	\$ 370,994		
Due to Other Funds (Note 6)	1,366		
Deferred Revenue (Note 1J)	11,438		
<b>Total Liabilities</b>	<b>383,798</b>		
Fund Balances: (Note 14)			
Nonspendable	1,000		
Restricted	227,310	\$ 548,851	\$ 323,509
Assigned	39,189		
Unassigned	1,382,942		
<b>Total Fund Balances</b>	<b>1,650,441</b>	<b>548,851</b>	<b>323,509</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,034,239</b>	<b>\$ 548,851</b>	<b>\$ 323,509</b>

<u>Capital Projects - Special Reserve</u>	<u>Corporation Acquisition</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 28	\$ 763,976	\$ 511,701	\$ 3,744,703
1,022,734		15,491	407,840
125,394		1,366	1,022,734
<u>\$ 1,148,156</u>	<u>\$ 763,976</u>	<u>\$ 528,558</u>	<u>\$ 5,347,289</u>
\$ 87,829		\$ 1,420	\$ 460,243
13,164	\$ 125,394	32,088	172,012
1,022,734			1,034,172
<u>1,123,727</u>	<u>125,394</u>	<u>33,508</u>	<u>1,666,427</u>
24,429	638,582	40	1,040
		488,960	2,251,641
		6,050	45,239
			1,382,942
<u>24,429</u>	<u>638,582</u>	<u>495,050</u>	<u>3,680,862</u>
<u>\$ 1,148,156</u>	<u>\$ 763,976</u>	<u>\$ 528,558</u>	<u>\$ 5,347,289</u>





**SAUSALITO MARIN CITY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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**Total Fund Balances - Governmental Funds** \$ 3,680,862

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds due to the following:

OPEB assets: Contributions to OPEB plans that are in excess of the actuarial determined annual OPEB expense, result in OPEB assets that are not financial resources and therefore are not reported as assets in governmental funds. The amount of OPEB assets recognized at year-end was: 2,735

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

Capital Assets	\$ 26,852,070	
Accumulated Depreciation	(4,786,135)	
Net	22,065,935	22,065,935

Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds, but are recognized in the government-wide statements is: 1,022,734

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:

Compensated Absences	\$ 7,812	
General Obligation Bonds	15,742,068	
Capital Leases	1,087,880	
Certificates of Participation	1,235,000	
Early Retirement Incentives	67,536	
Total	(18,140,296)	(18,140,296)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (212,486)

**Total Net Assets - Governmental Activities** \$ 8,419,484

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

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Corporation Debt Service</u>
<b><u>Revenues</u></b>			
Revenue Limit Sources:			
State Apportionment	\$ 160,001		
Local Taxes	3,598,014		
Total Revenue Limit Sources	3,758,015		
Federal Revenue	288,926		
State Revenue	810,235	\$ 4,009	
Local Revenue	1,659,600	772,402	\$ 36
Total Revenues	6,516,776	776,411	36
<b><u>Expenditures</u></b>			
Instruction	2,537,905		
Supervision of Instruction	295,705		
Instructional Library and Technology	39,785		
School Site Administration	517,159		
Home-To-School Transportation	179,369		
Food Services	175		
Other Pupil Services	325,582		
Data Processing Services	24,878		
Other General Administration	1,251,329		
Plant Services	628,474		
Facilities Acquisition and Construction	18,982		
Ancillary Services	1,074		
Debt Service:			
Principal Retirement	15,250	290,000	400,000
Interest and Issuance Costs	4,149	479,314	77,375
Other Outgo	505,755		
Total Expenditures	6,345,571	769,314	477,375
Excess of Revenues Over (Under) Expenditures	171,205	7,097	(477,339)
<b><u>Other Financing Sources (Uses)</u></b>			
Operating Transfers In			477,372
Operating Transfers Out	(108,133)		(37)
Total Other Financing Sources (Uses)	(108,133)	0	477,335
Net Change in Fund Balances	63,072	7,097	(4)
Fund Balances - July 1, 2010 (Note 21)	1,587,369	541,754	323,513
Fund Balances - June 30, 2011	\$ 1,650,441	\$ 548,851	\$ 323,509

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Capital Projects - Special Reserve</u>	<u>Corporation Acquisition</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 160,001
			3,598,014
			3,758,015
		\$ 90,097	379,023
		12,262	826,506
\$ 474,992	\$ 152	11,004	2,918,186
<u>474,992</u>	<u>152</u>	<u>113,363</u>	<u>7,881,730</u>
			2,537,905
			295,705
			39,785
			517,159
			179,369
		148,958	149,133
			325,582
			24,878
			1,251,329
30,852			659,326
1,068,017		1,420	1,088,419
			1,074
			705,250
			560,838
			505,755
<u>1,098,869</u>	<u>0</u>	<u>150,378</u>	<u>8,841,507</u>
<u>(623,877)</u>	<u>152</u>	<u>(37,015)</u>	<u>(959,777)</u>
1,138,579	37	108,133	1,724,121
(533,139)	(1,082,812)		(1,724,121)
<u>605,440</u>	<u>(1,082,775)</u>	<u>108,133</u>	<u>0</u>
(18,437)	(1,082,623)	71,118	(959,777)
42,866	1,721,205	423,932	4,640,639
<u>\$ 24,429</u>	<u>\$ 638,582</u>	<u>\$ 495,050</u>	<u>\$ 3,680,862</u>

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

**Net Change in Fund Balances - Governmental Funds** **\$ (959,777)**

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

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

Capital Outlay Expenditures	\$ 1,086,920	
Depreciation Expense	<u>(797,227)</u>	
Net		289,693

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In government-wide statements, revenue is recognized when earned regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period, but related to a prior period is: (475,000)

Compensated absences and early retirement incentives: In governmental funds, compensated absences and early retirement incentives are measured by the amounts paid during the period. In the statement of activities, they are measured by the amounts earned. The difference between amounts paid and amounts earned was: (13,733)

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

General Obligation Bonds	\$ 290,000	
Capital Leases	15,250	
Certificates of Participation	<u>400,000</u>	
Total		705,250

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 2,020

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from a prior period, was: 10,196

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (249,674)

**Change in Net Assets of Governmental Activities** **\$ (691,025)**

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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	Agency Funds	Total Fiduciary Funds
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 1,119	\$ 1,119
<b><u>Liabilities</u></b>		
Due to Student Groups	1,119	1,119
<b><u>Net Assets</u></b>		
Total Net Assets	\$ 0	\$ 0

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Accounting Policies**

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

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

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

**B. Reporting Entity**

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that the following represents a component unit:

The District and the Sausalito Marin City School District Financing Corporation (the "Corporation") have a financial and operational relationship, which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District.

The following are those aspects of the relationship between the District and the Corporation, which satisfy the inclusion criteria:

**Accountability for Fiscal Matters**

- The Board of Directors for the Corporation are appointed by the District's Board.
- The Corporation has no employees or members. The District's Business Manager shall serve as the Chief Financial Officer, and the District's Superintendent shall serve as the Chief Executive Officer of the Corporation. These individuals receive no additional compensation for work performed in these capacities.
- The District's Board exercises significant influence over operations of the Corporation.

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Concluded)**

Accountability for Fiscal Matters (Concluded)

- It is anticipated that the District will be the sole lessee of all facilities owned by the Corporation. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- All major financing arrangements, contracts, and financial transactions of the Corporation must have the consent of the District.
- The property, assets, profits, and net revenues of the Corporation are irrevocably dedicated to the District, subject to the indebtedness of the Corporation.
- The District has assumed a "moral obligation" and potentially a legal obligation for any debt incurred by the Corporation.

Financial Presentation

For financial presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data of the District.

The financial activity of the Corporation is included in the Corporation Debt Service Fund and Corporation Acquisition Fund, and the certificates of participation issued by the Corporation are reported as a liability in the Statement of Net Assets.

Scope of Public Service

The Corporation is a nonprofit, public benefit corporation, incorporated under the laws of the State of California and recorded by the Secretary of State in 1996. The Corporation was formed for the sole purpose of providing financial assistance to the Sausalito Marin City School District by acquiring, constructing, remodeling, rehabilitating, equipping, improving and financing various public facilities, land and equipment and by leasing certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District.

**C. Implementation of New Accounting Pronouncements**

The Governmental Accounting Standards Board issued GASB Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definition*," with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The effect of implementing GASB 54 resulted in a reclassification of the beginning fund balances as of July 1, 2010, due to the Special Revenue - Special Reserve Fund no longer meeting the fund definition of a special revenue fund. Further detail is provided in Note 21.

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Presentation**

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

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

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



**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions:**

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

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

**Deferred Revenue:**

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

**Expenses/Expenditures:**

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

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Basis of Accounting (Concluded)**

Expenses/Expenditures (Concluded):

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

**F. Fund Accounting**

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

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

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

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

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

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

Major Governmental Funds:

*General Fund* is the general operating fund of the District.

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

*Corporation Debt Service Fund* is used to account for the payment of interest and redemption of principal on the outstanding certificates of participation issued by the Sausalito Marin City School District Financing Corporation.

*Capital Projects - Special Reserve Fund* is used to account for proceeds from real property sales and capital outlays for District property.

**SAUSALITO MARIN CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Accounting (Concluded)**

**Major Governmental Funds (Concluded):**

*Corporation Acquisition Fund* is used to account for proceeds from the sale of certificates of participation that will be used to finance the renovation, construction, and modernization of the District's school facilities.

**Non-major Governmental Funds:**

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

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

*Debt Service Fund* is used to account for payments made to the sinking fund, which is required by the lease purchase agreement that was entered into with California School Board Association Finance Corporation, for purposes of financing capital improvements at the District's two schools.

*Building Fund* is used to account for acquisition of major governmental facilities financed from bond proceeds.

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

**Fiduciary Funds:**

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body account at Martin Luther King School, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

**G. Budgets and Budgetary Accounting**

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 49.