
BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**COUNTY OF SAN MATEO
BELMONT, CALIFORNIA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

 **Patel &
Associates**
Certified Public Accountant

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Belmont-Redwood Shores School District
Belmont, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Belmont-Redwood Shores School District (the District), as of and for the year ended June 30, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, issued by the Education Audit Appeals Panel. 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10, budgetary comparison on page 42 and other postemployment information on page 43 respectively 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, consisting 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the 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 basic financial statements of the District. The combining nonmajor fund financial statements, schedules listed in the table of contents and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Palmi Associates
Oakland, California
December 14, 2010

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

This Management's Discussion and Analysis of Belmont-Redwood Shores School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. This review is a part of the audit of the District as a result of the legally required implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34). The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- Total government wide revenue for 2010 fiscal year was \$30,914,367.
- Expenditures totaled \$30,318,254.
- Net assets increased by \$596,113.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District. These statements are organized so the reader can understand Belmont-Redwood Shores School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The first two statements, the Statement of Net Assets and Statement of Activities comprise the District-wide government financial statements and that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government wide statements.

The fund financial statements can be further broken down into two types:

- Governmental fund statements which tell how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.
- Fiduciary fund statements, providing information about the financial relationship in which the District acts solely as trustee or agent for the benefit of others to whom the resources belong.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between asset and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition of the District's school buildings and other facilities.

In the government-wide financial statements, the District's activities are reported as governmental activities. Most of the District's services are included here such as regular and special education and administration. Funding received from the state of California through the revenue limit, along with categorical and special funding received from the federal and state government fund most of these activities.

REPORTING THE DISTRICTS MOST SIGNIFICANT FUNDS

Fund financial statement

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 by state law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

Governmental funds - Most of the District's basic services are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds 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 general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement that explains the relationship (or differences) between them.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

Table 1: Net Assets

	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Current and other assets:			
Cash and investments	\$ 8,580,915	\$ 25,916,948	(67%)
Receivables	1,597,678	1,790,502	(11%)
Other current assets	107,920	216,504	(50%)
Deferred charges	869,554	931,486	(7%)
Subtotal of other assets	11,156,067	28,855,440	(61%)
Capital assets	49,132,918	36,975,159	33%
Total assets	60,288,985	65,830,599	(8%)
Long-term debt liabilities	40,177,709	41,175,347	(2%)
Other liabilities	2,155,849	7,295,938	(70%)
Total liabilities	42,333,558	48,471,285	(13%)
Net Assets:			
Invested in capital assets, net of related debt	10,509,449	10,281,149	2%
Restricted	4,739,200	18,587,056	(75%)
Unrestricted	2,706,778	(11,508,891)	124%
Total Net Assets	\$ 17,955,427	\$ 17,359,314	3%

The District's net assets were \$17,955,427 for the fiscal year ended June 30, 2010. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use those net assets for day to day operations.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

Changes in Net Assets

A summary of total district revenues, expenses and changes in net assets is presented in the table below.

Table 2: Changes in Net Assets

	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Program revenues:			
Charges for services	\$ 95,060	\$ 81,029	17%
Federal & State Categorical Grants	1,848,434	2,613,699	(29%)
General revenues:			
Taxes levied for general purposes	21,029,237	20,527,286	2%
Taxes levied for debt service	2,032,999	2,266,279	(10%)
Taxes levied for other specific purposes	2,447,675	2,182,965	12%
Federal & state not restricted to specific purposes	2,001,010	1,771,353	13%
Interest and investment earnings	198,959	(1,023,152)	(119%)
Other general revenue	1,260,993	1,079,067	17%
Total revenues	<u>30,914,367</u>	<u>29,498,526</u>	<u>5%</u>
Expenses			
Instruction	18,180,186	17,397,363	4%
Instruction - related services	2,817,168	2,619,870	8%
Pupil services	983,062	798,603	23%
Ancillary services	64,265	78,205	(18%)
General administration	2,082,129	2,058,115	1%
Plant services	3,166,859	2,838,752	12%
Other	3,024,585	3,141,730	(4%)
Total expenses	<u>30,318,254</u>	<u>28,932,638</u>	<u>5%</u>
Increase in net assets:	596,113	565,888	(5%)
Net assets beginning of the year	<u>17,359,314</u>	<u>16,793,426</u>	<u>3%</u>
Net assets end of the year	<u>\$ 17,955,427</u>	<u>\$ 17,359,314</u>	<u>3%</u>

Government Activities

For 2010 fiscal year, the total District revenues were \$30,914,367. The total District expenses were \$30,318,254. The difference of \$596,113 is the increase in net assets bringing the total net assets at June 30, 2010 to \$17,955,427.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

The main source of revenue for the District is the property taxes and Federal and State Categorical grants.

The cost of all governmental activities this year was \$30,318,254. The amount that our taxpayers ultimately financed for these activities through local taxes was only \$25,509,911. The balance was financed by other government agencies and organizations that subsidized certain programs with grants and contributions of \$1,848,434.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Table 3: District's Fund Balances

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase/ (Decrease)
General	\$ 3,350,596	\$ 1,853,539	\$ 1,497,057
Cafeteria	6,079	4,919	1,160
Deferred maintenance	1,042	218,308	(217,266)
Special reserve	1,247,573	1,653,353	(405,780)
Special reserve for postemployment benefits	120,914	119,759	1,155
Building	340,222	13,125,696	(12,785,474)
Capital facilities	1,257,801	1,261,297	(3,496)
Special reserve for capital outlays	31,944	31,656	288
Bond interest & redemption	1,506,021	1,667,803	(161,782)
State school building lease/purchase	8,261	8,202	59
County school facilities	996	986	10
Debt service	968,661	1,400,085	(431,424)
Total	\$ 8,840,110	\$ 21,345,603	\$ (12,505,493)

As the District completed this year, our governmental funds reported a combined fund balance of \$8,840,110 which is \$12,505,493 decrease from last year. The decrease is mainly due to the additional costs incurred for the construction of the new school site in Redwood Shores.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

General Fund Budgetary Highlights

The District's 2009/2010 General Fund operating budget was adopted by the Governing Board in June of 2009. As adopted, projected expenditures and other financing uses totaled \$28,266,461. Budgeted revenues and other financing sources totaled \$27,774,620, which were projected to be less than expenditures and other financing uses projected by approximately \$491,841.

There were several formal revisions made to the budget during the year. These revisions fell into three main categories:

1. Increases to both estimated income and appropriations due to the increase in the state, federal and local apportionment.
2. The budgeting of carryover balances from prior years. It is district policy to not budget expenditure totals carried over from a prior year until after the unaudited actual balances for that year have been calculated.
3. Increases in appropriations to prevent budget overages.

During the year, Revenue Limit income budgets were increased by approximately \$250,968. Budgeted expenditures increased by \$1,231,412 for calculated carryover. As revised, the final General Fund revenue budget totaled \$28,371,538, with revenue projected to be less than expenditures by \$869,228.

While the final budget projected a deficit of \$869,228, the actual results for the year reflected a surplus of \$898,183 with a resulting ending fund balance of \$3,350,596.

Due to the State financial crisis and the anticipated impact on the District's budget in 2010-11, the District imposed spending restrictions the later part of 2009-10 in order to significantly increase the ending fund balance to support the next fiscal year requirements. In addition, the District participated in flexibility transfers allowed by the State. The ending fund balance will support: (a) the Property Tax Reserve at 2.5% \$481,110, (b) State Textbook Reserve \$265,599, (c) Health and Welfare \$30,000, (d) Special Education \$96,934, (e) Per ADA Reduction \$573,000, (f) Basic Aid Reduction \$1,014,702, (g) State Unrestricted Programs \$63,942, (h) Deferred Maintenance \$388,049, (i) Revolving Account \$15,000 and (j) Legally Restricted Fund Balance \$497,259.

Capital Asset and Debt Administration

Capital Assets at Year End net of Depreciation

At June 30, 2010, the District had \$49,132,918 in a broad range of capital assets, including land, buildings and equipment. The District uses \$5,000 as its capitalization threshold.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

Table 4: Capital Assets

	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Land	\$ 13,072,402	\$ 13,072,402	0%
Work in progress	16,564,923	3,435,306	382%
Buildings and improvements	19,011,368	19,952,778	(5%)
Equipment	484,225	514,673	(6%)
Total	\$ 49,132,918	\$ 36,975,159	33%

The District's investment in capital assets amounts to \$49,132,918 (net of accumulated depreciation). This investment includes mainly land, buildings, improvements, and equipment.

The District's investment in capital assets increased net \$12,157,759 or 33% over the prior year. This increase is mainly due to additional costs in Work in Progress due to construction of Redwood Shores School.

Table 5: Outstanding Long-Term Debt

	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
General Obligation Bonds	\$ 33,345,000	\$ 33,920,000	(2%)
Certificate of participation	5,465,000	5,615,000	(3%)
Capital lease	153,691	284,706	(46%)
Total	\$ 38,963,691	\$ 39,819,706	(2%)

Outstanding long term obligation decreased by a net amount of \$856,015 during the fiscal year. This is mainly due to the repayment of long term debt for the Sandpiper and Redwood Shores facilities and day care portables due during the fiscal year.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

Contacting the District 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 Nellie Hungerford, Assistant Superintendent of Business Services and Operations, Belmont-Redwood Shores School District, 2960 Hallmark Drive, Belmont, CA 94002.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

		<u>Governmental Activities</u>
ASSETS:		
Cash and investments (Note 2)	\$	8,580,915
Accounts receivable (Note 3)		1,597,678
Other current assets		107,920
Deferred charges		869,554
Capital assets (Note 5):		
Land		13,072,402
Buildings, net		19,011,368
Equipment, net		484,225
Work in progress		<u>16,564,923</u>
Total assets		<u>60,288,985</u>
LIABILITIES:		
Accounts payable		1,262,176
Accrued interest		709,446
Deferred revenues		184,227
Long-term obligations:		
Due within one year (Note 7)		1,056,869
Due in more than one year (Note 7)		<u>39,120,840</u>
Total liabilities		<u>42,333,558</u>
NET ASSETS:		
Invested in capital assets, net of related debt		10,509,449
Restricted for:		
Capital projects		1,639,224
Debt services		2,474,682
Special reserve		120,914
School programs		504,380
Unrestricted		<u>2,706,778</u>
Total net assets	\$	<u><u>17,955,427</u></u>

The accompanying notes are an integral part of these financial statements

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

			Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			Governmental Activities
Governmental Activities:							
Instruction	\$ 18,180,186	\$ 42,598	\$ 1,410,647	\$ 10			\$ (16,726,931)
Instruction-related services	2,817,168	4,781	229,038				(2,583,349)
Pupil services	983,062	44,985	56,959				(881,118)
Ancillary services	64,265	2,307	17,883				(44,075)
General administration	2,082,129	134	111,561				(1,970,434)
Plant services	3,166,859	255	1,976				(3,164,628)
Other outgo	1,091,323		20,360				(1,070,963)
Interest on long-term debt	1,933,262						(1,933,262)
Total governmental activities	\$ 30,318,254	\$ 95,060	\$ 1,848,424	\$ 10			(28,374,760)
General Revenues:							
Taxes and subventions:							
Taxes levied for general purposes							21,029,237
Taxes levied for debt service							2,032,999
Taxes levied for other specific purposes							2,447,675
Federal and state aid not restricted to specific purposes							2,001,010
Interest and investment earnings							198,959
Miscellaneous							1,260,993
Total general revenues							28,970,873
Change in net assets							596,113
Net assets - beginning							17,359,314
Net assets - ending							\$ 17,955,427

The accompanying notes are an integral part of these financial statements

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest & Redemption Fund</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS:								
Cash and investments (Note 2)	\$ 2,314,089	\$ 388,049	\$ 1,243,385	\$ 488,096	\$ 1,505,231	\$ 1,502,631	\$ 1,139,434	\$ 8,580,915
Accounts receivable (Note 3)	1,528,157	1,042	4,188	2,934	53,061	3,390	4,906	1,597,678
Due from other funds	388,049			300,000				688,049
Other current assets	79,882			28,038				107,920
	<u>4,310,177</u>	<u>389,091</u>	<u>1,247,573</u>	<u>819,068</u>	<u>1,558,292</u>	<u>1,506,021</u>	<u>1,144,340</u>	<u>10,974,562</u>
Total assets	\$	\$	\$	\$	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 775,354	\$	\$	\$ 478,846	\$ 491	\$	\$ 7,485	\$ 1,262,176
Due to other funds		388,049			300,000			688,049
Deferred revenues	184,227							184,227
	<u>959,581</u>	<u>388,049</u>	<u></u>	<u>478,846</u>	<u>300,491</u>	<u></u>	<u>7,485</u>	<u>2,134,452</u>
Total liabilities	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances:								
Reserved for								
Revolving fund	15,000							15,000
Prepaid items	79,882			28,038				107,920
Other reservations	497,259							497,259
Other designations	2,758,455	1,042	1,247,573	312,184	1,257,801	1,506,021	1,136,855	8,219,931
	<u>3,350,596</u>	<u>1,042</u>	<u>1,247,573</u>	<u>340,222</u>	<u>1,257,801</u>	<u>1,506,021</u>	<u>1,136,855</u>	<u>8,840,110</u>
Total fund balances	\$	\$	\$	\$	\$	\$	\$	\$
Total liabilities and fund balances	<u>\$ 4,310,177</u>	<u>\$ 389,091</u>	<u>\$ 1,247,573</u>	<u>\$ 819,068</u>	<u>\$ 1,558,292</u>	<u>\$ 1,506,021</u>	<u>\$ 1,144,340</u>	<u>\$ 10,974,562</u>

The accompanying notes are an integral part of these financial statements

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances - governmental funds	\$	\$ 8,840,110
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used for governmental activities are not short-term financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	59,101,639	
Less: Accumulated depreciation	<u>(9,968,721)</u>	49,132,918
Interest payable on long-term debt is not accrued as a liability in the balance sheet of government funds		(709,446)
Bond issuance cost is expensed over the life of the bond in government wide statement of net assets while these expenditures are recognized as current year's expenditures in the year of issuance in the governmental funds.		869,554
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at the year end consist of:		
General obligation bonds payable	33,345,000	
Certificate of participation payable	5,465,000	
Capital lease payable	153,691	
Unamortized Bond Premium	986,666	
Unamortized refunding charge	(675,706)	
Other post-employment benefits obligation	193,515	
Early retirement incentives	563,326	
Compensated absences	<u>146,217</u>	<u>(40,177,709)</u>
Total net assets - governmental activities		\$ <u>17,955,427</u>

The accompanying notes are an integral part of these financial statements

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest & Redemption Fund</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
Revenues								
Revenue limit sources								
State apportionments	\$ 15,668	\$	\$	\$	\$	\$	\$	\$ 15,668
Local sources	21,029,238							21,029,238
Federal	1,117,872						20,420	1,138,292
Other state	2,246,519					10,950		2,257,469
Other local	<u>3,757,521</u>	<u>2,845</u>	<u>15,483</u>	<u>44,142</u>	<u>554,392</u>	<u>2,030,793</u>	<u>68,524</u>	<u>6,473,700</u>
Total revenues	<u>28,166,818</u>	<u>2,845</u>	<u>15,483</u>	<u>44,142</u>	<u>554,392</u>	<u>2,041,743</u>	<u>88,944</u>	<u>30,914,367</u>
Expenditures								
Instruction	18,347,960							18,347,960
Instruction-related services	2,817,168							2,817,168
Pupil services	883,001						106,753	989,754
Ancillary services	64,265							64,265
General administration	2,057,828				24,301			2,082,129
Plant services	1,950,052			13,129,291	222,456			15,301,799
Other outgo	1,079,867			325	11,131			1,091,323
Debt service:								
Principal	63,470					575,000	217,892	856,362
Interest	<u>5,024</u>					<u>1,628,525</u>	<u>235,551</u>	<u>1,869,100</u>
Total expenditures	<u>27,268,635</u>			<u>13,129,616</u>	<u>257,888</u>	<u>2,203,525</u>	<u>560,196</u>	<u>43,419,860</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>898,183</u>	<u>2,845</u>	<u>15,483</u>	<u>(13,085,474)</u>	<u>296,504</u>	<u>(161,782)</u>	<u>(471,252)</u>	<u>(12,505,493)</u>
Other financing sources (uses):								
Operating transfers in	1,056,419	167,938	247,107	300,000			42,500	1,813,964
Operating transfers out	<u>(457,545)</u>	<u>(388,049)</u>	<u>(668,370)</u>		<u>(300,000)</u>			<u>(1,813,964)</u>
Total other financing sources (uses)	<u>598,874</u>	<u>(220,111)</u>	<u>(421,263)</u>	<u>300,000</u>	<u>(300,000)</u>		<u>42,500</u>	
Net change in fund balances	1,497,057	(217,266)	(405,780)	(12,785,474)	(3,496)	(161,782)	(428,752)	(12,505,493)
Fund balances, July 1, 2009	<u>1,853,539</u>	<u>218,308</u>	<u>1,653,353</u>	<u>13,125,696</u>	<u>1,261,297</u>	<u>1,667,803</u>	<u>1,565,607</u>	<u>21,345,603</u>
Fund balances, June 30, 2010	<u>\$ 3,350,596</u>	<u>\$ 1,042</u>	<u>\$ 1,247,573</u>	<u>\$ 340,222</u>	<u>\$ 1,257,801</u>	<u>\$ 1,506,021</u>	<u>\$ 1,136,855</u>	<u>\$ 8,840,110</u>

The accompanying notes are an integral part of these financial statements

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Total net change in fund balances - governmental funds	\$	(12,505,493)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
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 exceeds depreciation expense in the period:		
Capital outlay	\$ 13,186,371	
Less: Depreciation expense	<u>(1,028,612)</u>	12,157,759
The governmental funds report debt proceeds as other financing source, while repayment of debt principal is reported as an expenditure.		856,362
Governmental funds report the issuance costs and premiums when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.		
Amortization of premium	57,902	
Amortization of refunding charge	(67,926)	
Amortization of bond issuance cost	<u>(61,932)</u>	(71,956)
Interest on long-term debt is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		7,794
Other Postemployment benefit expenditures are recorded in the governmental funds to the extent of amounts actually funded. In the statement of activities, however, the expense is recorded for the full amount of the accrual-basis annual OPEB cost.		(105,223)
In the statement of activities, compensated absences and postemployment benefits are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).		
Decrease in post employment benefit	265,580	
Increase in compensated absences	<u>(8,710)</u>	<u>256,870</u>
Changes in net assets - governmental activities	\$	<u><u>596,113</u></u>

The accompanying notes are an integral part of these financial statements

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2010

	<u>Agency Fund</u>
Assets	
Cash	\$ <u>35,452</u>
Total assets	\$ <u><u>35,452</u></u>
Liabilities	
Due to students groups	\$ <u>35,452</u>
Total liabilities	\$ <u><u>35,452</u></u>

The accompanying notes are an integral part of these financial statements

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Belmont-Redwood Shores School District (the District) is located in the northeastern portion of San Mateo County, California. The School District was formed as an elementary school district in 1861 and includes all of the City of Belmont and portions of the incorporated cities of San Mateo, Redwood City, Foster City and San Carlos. The School District operates five elementary schools and one middle school.

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on these criteria, the District has no component units.

B. Basis of Presentation

Government-wide financial statements:

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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.

C. Fund Accounting

District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity (or retained earnings), revenues and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds utilized by the District are described below:

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Major Governmental Funds:

- *The General Fund* serves as the general operating fund. It is used to account for all financial resources of the District except those required to be accounted for in another fund.
- *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of District property.
- *Special Reserve Fund for Other than Capital Outlay Fund* is used to account for resources reserved for general operating purposes.
- *The Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- *The Capital Facilities Fund* is used to account for resources from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- *The Bond Interest and Redemption Fund* is used to account for the accumulation of resources and the repayment of District bond, principal, interest and related costs.

Non-Major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

- *Cafeteria Fund* is used to account for revenues received and expenditures of the District's food service programs.
- *Special Reserve Fund* for postemployment benefits is used to account for the funds which the District has earmarked for the future cost of postemployment benefits but contributed irrevocably to a separate trust for the postemployment benefit plan.

Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

- *The Debt Service Fund* is used to account for the interest and redemption of principal certificates of participation issued by the District.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

- *The State School Building Lease-Purchase Fund* is used primarily to account for state apportionments provided for construction and reconstruction of school facilities.
- *The County School Facilities Fund* is established pursuant to Education Code Section 17070.43 to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects and facility hardship grants.
- *The Special Reserve Capital Projects Fund* exists primarily to account for resources accumulated for capital outlay. In addition, this fund is used to account for the interest and redemption of principal of the Certificates of Participation (COP).

Fiduciary Funds:

Expendable Trust Funds are used to account for donations that have the stipulation that principal be expended for a specific purpose. The following expendable trust fund is utilized:

- *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 accounts. The Student Body Fund is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

D. Accounting Policies

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

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

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end. 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-aid apportionments, the California Department of Education has defined available for districts as collectible within one-year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Deferred revenue:

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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.

Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools these funds with those of other Districts in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned its 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.

Capital Assets

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

Asset Class	Estimated Useful Life in Years
Land	N/A
Land improvements	20
Building and structures	25-50
Equipment	5-15

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Compensated Absences

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

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

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. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are deferred and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums or discounts are reported as other financing sources/used, whereas, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for legally restricted balance reflect the portions of fund balance represented by revolving fund cash and net assets restricted by contract, laws or regulations, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The District first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

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

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

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 year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriations accounts. Expenditures cannot legally exceed appropriations by major object code.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

G. Accounting Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

H. 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.

NOTE 2: CASH AND INVESTMENTS

The District's cash and investments as of June 30, 2010 are as follows:

Governmental activities	\$	8,580,915
Fiduciary funds		35,452
Total cash and investments	\$	8,616,367

Cash and investments as of June 30, 2010 consist of the following:

Cash in revolving account and bank	\$	145,230
Investments		8,471,137
Total cash and investments	\$	8,616,367

Cash in revolving account and bank

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

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

Investments

The District’s investments consist of the following at June 30, 2010:

Cash with the county treasury	\$	7,874,429
LAIF		130,419
Cash with trustees		466,289
 Total investments	 \$	 <u><u>8,471,137</u></u>

Cash with county treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the financial statements at amounts 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). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Information regarding the characteristics of the entire investment pool can be found in the County’s June 30, 2009 basic financial statements. A copy of that report may be obtained by contacting the Controller’s Office, County of San Mateo, 555 County Center, Redwood City 94063.

Investment in the State Investment Pool – The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in the pool is reported in the accompanying financial statement at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

Cash with the fiscal agents - The District maintains some cash with the bond trustee. The bond trustee invests the funds as authorized under the bond indenture.

Policies and Practices

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

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules 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	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptance	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through funds	5 years	20%	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None
Joint powers authority pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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. The District manages its exposure to interest rate risk 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.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity of the District's investment in County Pool is 1 year.

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. The San Mateo County Pool and the State Investment Pool are not rated.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, consist of the following:

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Federal sources:								
Federal programs	\$ 533,317	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 3,119	\$ 536,436
Total federal	<u>533,317</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>3,119</u>	<u>536,436</u>
State sources:								
Revenue limit	36,807							36,807
Categorical program	684,110							684,110
Lottery	<u>82,784</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>82,784</u>
Total state	<u>803,701</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>803,701</u>
Local sources:								
Interest	28,195	1,042	4,188	2,011	3,624	3,390	1,787	44,237
Other	<u>162,944</u>	<u>_____</u>	<u>_____</u>	<u>923</u>	<u>49,437</u>	<u>_____</u>	<u>_____</u>	<u>213,304</u>
Total local	<u>191,139</u>	<u>1,042</u>	<u>4,188</u>	<u>2,934</u>	<u>53,061</u>	<u>3,390</u>	<u>1,787</u>	<u>257,541</u>
Total receivable	<u>\$ 1,528,157</u>	<u>\$ 1,042</u>	<u>\$ 4,188</u>	<u>\$ 2,934</u>	<u>\$ 53,061</u>	<u>\$ 3,390</u>	<u>\$ 4,906</u>	<u>\$ 1,597,678</u>

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 4: 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.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2009-2010 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,056,419	\$ 457,545
Deferred maintenance	167,938	388,049
Special reserve	247,107	668,370
Building	300,000	
Capital facilities		300,000
Nonmajor Governmental funds	<u>42,500</u>	
	<u>\$ 1,813,964</u>	<u>\$ 1,813,964</u>

Reasons for Interfund transfers are as follows:

The General Fund transferred to the Deferred Maintenance Fund for transfer of deferred maintenance allowance posted in General Fund	\$ 167,938
The General Fund transferred to the Special Reserve Fund to cover the categorical flexibility transfer in fiscal year 2009-2010	247,107
The General Fund transferred to the Cafeteria Fund for building the fund balance	42,500
The Deferred Maintenance Fund transferred to the General Fund for flexible spending	388,049
The Special Reserve Fund transferred to the General Fund for building the reserve for the "fair share" for the state	668,370
The Capital Facilities Fund transferred to the Building Fund to cover future expenses for completion of the Redwood Shores School project.	<u>300,000</u>
Total	<u>\$ 1,813,964</u>

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 5: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 is shown below:

	<u>Balance, July 1, 2009</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance June 30, 2010</u>
Capital assets, not being depreciated							
Land	\$ 13,072,402	\$		\$		\$	13,072,402
Work in progress	<u>3,435,306</u>		<u>13,129,617</u>				<u>16,564,923</u>
Total capital assets, not being depreciated	<u>16,507,708</u>		<u>13,129,617</u>				<u>29,637,325</u>
Capital assets being depreciated							
Buildings and improvements	28,799,925						28,799,925
Vehicle and equipment	<u>612,819</u>		<u>56,754</u>		<u>5,184</u>		<u>664,389</u>
Total capital assets, being depreciated	<u>29,412,744</u>		<u>56,754</u>		<u>5,184</u>		<u>29,464,314</u>
Less accumulated depreciation for							
Buildings and improvements	8,847,147		941,410				9,788,557
Vehicle and equipment	<u>98,146</u>		<u>87,202</u>		<u>5,184</u>		<u>180,164</u>
Total accumulated depreciation	<u>8,945,293</u>		<u>1,028,612</u>		<u>5,184</u>		<u>9,968,721</u>
Total capital assets, being depreciated, net	<u>20,467,451</u>		<u>(971,858)</u>				<u>19,495,593</u>
Governmental activities capital assets, net	\$ <u>36,975,159</u>	\$	<u>12,157,759</u>	\$	<u>5,184</u>	\$	<u>49,132,918</u>

NOTE 6: TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The TRANS are a general obligation of the District, and are payable from revenues and cash receipts to be generated by the District. The funds were used to supplement cash flow.

The District issued \$3,070,000 in tax revenue anticipation notes dated July 6, 2009. The notes mature on July 1, 2010. As of June 30, 2010, the District paid off the outstanding balance of the notes.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7: LONG-TERM OBLIGATION

A schedule of changes in long-term obligation for the year ended June 30, 2010, is shown below:

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Due Within One Year
General Obligation Bonds	\$ 33,920,000	\$	\$ 575,000	\$ 33,345,000	\$ 490,000
Certificates of participation	5,615,000		150,000	5,465,000	155,000
Capital lease obligations	284,706		131,015	153,691	120,030
Bond Premium	1,044,568		57,902	986,666	57,902
Deferred refunding charge	(743,632)		(67,926)	(675,706)	(67,926)
Total Long Term Debts net of premium and refunding charge	40,120,642		845,991	39,274,651	755,006
Early retirement incentives	828,906		265,580	563,326	155,646
Other post employment benefits	88,292	105,223		193,515	
Compensated absences	137,507	8,710		146,217	146,217
Totals	\$ 41,175,347	\$ 113,933	\$ 1,111,571	\$ 40,177,709	\$ 1,056,869

Payments for the capital lease obligations are paid from the Capital Facilities Fund. Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. Payments on the Certificates of Participation are made by the Capital Facilities Fund. The accrued vacation will be paid by the fund for which the employee worked.

A. General Obligation Bonds Payable

The outstanding general obligation bonded debt of the District at June 30, 2010, is:

Series	Date of Issuance	Interest Rate	Maturity Date	Amount of Original Issue	Amount Outstandin g July 1, 2009	Addition/ accretion	Redeemed	Amount Outstanding June 30, 2010
2005 GO Refunding	2/1/2005	3.00 to 5.25%	2022	\$ 11,720,000	\$ 10,310,000	\$	\$ 440,000	\$ 9,870,000
2005 GO bonds – Series A	8/17/2007	4.00 to 5.25%	2026	25,000,000	23,610,000		135,000	23,475,000
Totals				\$ 36,720,000	\$ 33,920,000	\$	\$ 575,000	\$ 33,345,000

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

2005 General Obligation Refunding Bond

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

Annual debt service requirements of the General Obligation Bond consisted of the following as of June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 475,000	\$ 428,138	\$ 903,138
2012	520,000	408,237	928,237
2013	555,000	383,963	938,963
2014	595,000	360,419	955,419
2015	635,000	338,050	973,050
2016-2020	3,960,000	1,234,275	5,194,275
2021-2023	<u>3,130,000</u>	<u>243,725</u>	<u>3,373,725</u>
Total	9,870,000	\$ <u>3,396,807</u>	\$ <u>13,266,807</u>
Bond Premium, net of amortization	414,833		
Refunding charge, net of amortization	<u>(497,985)</u>		
Total	\$ <u>9,786,848</u>		

Election of 2005 General Obligation Bond – Series A

On August 17, 2007, the District issued \$25,000,000 of general obligation bonds. The net proceeds of the Bonds will be used to finance the acquisition of land and the construction of a new elementary school and to pay certain costs of issuance of the bonds.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Annual debt service requirements of the bond consisted of the following as of June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 15,000	\$ 1,181,288	\$ 1,196,288
2012	60,000	1,179,712	1,239,712
2013	115,000	1,175,850	1,290,850
2014	170,000	1,169,438	1,339,438
2015	235,000	1,160,325	1,395,325
2016-2020	2,270,000	5,555,475	7,825,475
2021-20245	4,765,000	4,686,194	9,451,194
2026-2030	8,440,000	3,000,350	11,440,350
2031-2033	<u>7,405,000</u>	<u>577,875</u>	<u>7,982,875</u>
Total	23,475,000	\$ <u>19,686,507</u>	\$ <u>43,161,507</u>
Bond Premium, net of amortization	<u>571,833</u>		
Total	\$ <u>24,046,833</u>		

B. Certificate of participation

In March of 2005, the District issued Certificates of Participation (COP's) in the amount of \$6,140,000 at interest rates ranging from 2.0% to 4.5% and a maturity date of September 1, 2032. The proceeds were used to liquidate the District's COP's issued in 1996, and were used to finance a new elementary school. The refunding reduced required interest payments and did not extend the maturities on the Bonds.

The annual debt service requirements of the certificates of participation consisted of the following as of June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 155,000	\$ 223,590	\$ 378,590
2012	155,000	218,746	373,746
2013	165,000	213,546	378,546
2014	170,000	207,997	377,997
2015	175,000	202,065	377,065
2016-2020	970,000	907,697	1,877,697
2021-2025	1,175,000	691,398	1,866,398
2026-2030	1,460,000	404,550	1,864,550
2031-2033	<u>1,040,000</u>	<u>71,324</u>	<u>1,111,324</u>
Total	5,465,000	\$ <u>3,140,913</u>	\$ <u>8,605,913</u>
Refunding charge, net of amortization	<u>(177,721)</u>		
Total	\$ <u>5,287,279</u>		

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

C. Capital lease obligation

In May of 2001, the District agreed to a capital lease agreement to purchase four relocatable classroom buildings. The purchase price of the equipment was \$561,981 and is included in the capital assets of the District. The District financed the entire cost of equipment, due in monthly installments of \$6,273, including interest at 5.7% per annum, through November 13, 2011.

The annual debt service requirements of the capital lease obligation consisted of the following as of June 30, 2010:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 71,294	\$ 3,984	\$ 75,278
2012	<u>30,924</u>	<u>442</u>	<u>31,366</u>
Total	<u>\$ 102,218</u>	<u>\$ 4,426</u>	<u>\$ 106,644</u>

During the year, the District agreed to purchase new copier under a capital lease agreement. In July 2008, the District also purchased some copiers under a capital lease agreement. The annual debt service requirements of the capital lease obligation for these copiers consisted of the following as of June 30, 2010:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 48,736	\$ 1,447	\$ 50,183
2012	<u>2,737</u>	<u>25</u>	<u>2,762</u>
Total	<u>\$ 51,473</u>	<u>\$ 1,472</u>	<u>\$ 52,945</u>

D. Postemployment Benefits Obligations

The District was in the second year of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The District's annual required contribution for the year ended June 30, 2010 was \$208,872 and contributions made by the District during the year were \$103,649, which resulted in a net OPEB obligation of \$193,515. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

E. Early Retirement

Early retirement incentive benefits are provided to the employees who retired under golden hand shake program of the District, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Currently, the District has 24 employees who opted under the program. The approximate accumulated liability for the District at June 30, 2010, amounts to \$563,326.

NOTE 8: RISK MANAGEMENT

The District’s risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance and participation in a public entity risk pool. The District participates in the San Mateo County Schools Insurance Group public entity risk pool (JPA). Refer to Note 9 for additional information regarding the JPA. Excess property and liability coverage is obtained through SELF.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

Coverage provided by San Mateo-County Schools Insurance Group for property and liability workers’ compensation is as follows:

<u>Type of Coverage</u>	<u>Limits</u>
Workers’ compensation	State of California Statutory Limits
Property	\$250,000 - \$1,000,000,000 per occurrence
Liability	\$250,000 - \$20,000,000 per occurrence

NOTE 9: JOINT VENTURES (Joint Powers Agreements)

The District is a member of the San Mateo County Schools’ Insurance Group joint powers authority (JPA). The District pays an annual premium to the entity for its health, workers’ compensation, and property liability coverage. The relationships between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the entity.

- A. Entity San Mateo County Schools Insurance Group
- B. Purpose Provide property and liability, casualty, workers' compensation, dental and vision coverage.
- C. Participants Local educational agencies
- D. Governing Board Representatives from member agencies
- E. Condensed Audited Financial Information Follows

	<u>June 30, 2010</u>
Assets	\$ 13,549,892
Liabilities	<u>6,972,599</u>
Fund Balance	<u>\$ 6,577,293</u>
Revenues	\$ 31,574,349
Expenses	<u>32,465,162</u>
Net Increase in Fund Equity	<u>\$ (890,813)</u>

- F. Payments for the Current Year:

Workers' Compensation	\$ 215,426
Property Liability	\$ 84,852
Comprehensive & Collision Coverage	\$ 719
Dental	\$ 350,918
Vision	\$ 50,664

NOTE 10: EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

A. PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2010, 2009 and 2008 were \$306,743, \$294,175 and \$276,004, respectively, and equal to 100% of the required contributions for each year.

B. STRS

Plan Description

The District contributes to the California 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.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ended June 30, 2010, 2009 and 2008 were \$1,128,366, \$1,053,021 and \$990,586, respectively, and equal 100% of the required contributions for each year.

NOTE 11: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District administers a single-employer defined benefit plan. It provides postretirement health care benefits to all employees who retire from the District on or after attaining age 55 with at least 20 years of service. The number of years of postretirement payments varies by employee group: classified – 3 years; certificated – 3 years; confidential – 5 years. Administrators receive employee plus one dependent premium rate until age 65. On June 30, 2010, membership of the plan consists of 13 retirees currently receiving benefits, and 299 active plan members.

Funding policy

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. For fiscal year 2009-10, the District contributed \$103,649 to the plan, all of which was used for current premiums of health and medical benefits for retired employees.

Annual OPEB Cost 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), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 accrued liabilities (UAAL) (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 year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	For the Fiscal Year Ending <u>June 30, 2010</u>
<i>Determination of Net OPEB Obligation</i>	
Annual Required Contribution	\$ 208,872
Contributions made	<u>103,649</u>
Increase in Net OPEB Obligation	105,223
Net OPEB Obligation – beginning of year	<u>88,292</u>
Net OPEB Obligation – end of year	<u><u>\$ 193,515</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2010 was as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 190,850	54%	\$ 88,292
6/30/2010	\$ 208,872	50%	\$ 193,515

Funded Status and Funding Progress

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 September 1, 2009 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5% investment rate of return and a healthcare cost trend of 4%. The UAAL is being amortized at a level percentage of payroll method over a period of 30 years.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

Various claims and litigation involving the District are currently outstanding. However, management of the District believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

C. Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
New School	\$ <u><u>281,044</u></u>	August, 2010

NOTE 13: SUBSEQUENT EVENTS

A. ISSUANCE OF TRANS

The District issued \$4,365,000 in tax revenue anticipation notes dated July 1, 2010. The notes mature on June 1, 2011. The notes were sold to supplement cash flow.

B. APPROVAL OF MEASURE I AND MEASURE N BONDS

On November 2, 2010, the citizens of Belmont and Redwood Shores passed two bonds, Measure I and N, in the amount of \$35,000,000 and \$25,000,000, respectively. Measure I bond funds will be used to upgrade and add enrollment growth facility space to the Ralston Middle School, to repair the District maintenance building and to retire the Sandpiper Elementary School Certificates of Participation. Measure N will support the addition of enrollment growth facilities and modernization at four elementary school sites in Belmont (Fox, Cipriani , Central and Nesbit). The current goal is to complete these projects within the next five years.

SUPPLEMENTARY INFORMATION

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Positive- (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Revenue Limit Sources:				
State apportionments	\$ (6,036)	\$ 22,678	\$ 15,668	\$ (7,010)
Local sources	20,874,650	21,096,904	21,029,238	(67,666)
Total revenue limit	<u>20,868,614</u>	<u>21,119,582</u>	<u>21,044,906</u>	<u>(74,676)</u>
Federal revenue	1,039,401	1,175,885	1,117,872	(58,013)
Other state revenue	2,590,432	2,293,565	2,246,519	(47,046)
Other local revenue	<u>3,276,173</u>	<u>3,782,506</u>	<u>3,757,521</u>	<u>(24,985)</u>
Total revenues	<u>27,774,620</u>	<u>28,371,538</u>	<u>28,166,818</u>	<u>(204,720)</u>
<u>Expenditures</u>				
Certificated salaries	13,685,281	13,956,635	13,918,628	38,007
Classified salaries	3,263,398	3,508,384	3,445,657	62,727
Employee benefits	4,098,496	4,186,269	4,054,781	131,488
Books & supplies	811,291	1,667,022	787,155	879,867
Services and other operating expenditures	4,863,737	4,402,861	3,949,531	453,330
Capital outlay	12,000	40,495	40,206	289
Other outgo	<u>1,275,151</u>	<u>1,479,100</u>	<u>1,072,677</u>	<u>406,423</u>
Total expenditures	<u>28,009,354</u>	<u>29,240,766</u>	<u>27,268,635</u>	<u>1,972,131</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(234,734)</u>	<u>(869,228)</u>	<u>898,183</u>	<u>1,767,411</u>
<u>Other Financing Sources/(Uses)</u>				
Operating transfers in		1,056,419	1,056,419	
Operating transfers out	<u>(257,107)</u>	<u>(457,545)</u>	<u>(457,545)</u>	
Total other financing (uses)	<u>(257,107)</u>	<u>598,874</u>	<u>598,874</u>	
Net change in fund balance	(491,841)	(270,354)	1,497,057	1,767,411
Fund balance/equity, July 1, 2009	<u>1,853,539</u>	<u>1,853,539</u>	<u>1,853,539</u>	
Fund balance/equity, June 30, 2010	<u>\$ 1,361,698</u>	<u>\$ 1,583,185</u>	<u>\$ 3,350,596</u>	<u>\$ 1,767,411</u>

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	AAL (Entry Age Normal)	UAAL	Funded Ratio	Covered Payroll	UAAL as a % of Cov. Payroll
07/01/2007	\$0	\$1,224,799	\$1,224,799	0.0%	\$15,189,319	8.06%
09/01/2009	\$0	\$1,159,982	1,159,982	0.0%	\$15,759,067	7.36%

OTHER SUPPLEMENTARY INFORMATION

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>					<u>Total Non Major Fund</u>
	<u>Cafeteria Fund</u>	<u>Special Reserve Fund for Postemployment Benefits</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>State School Building Lease-Purchase Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>	
<u>Assets</u>									
Cash and investments	\$ 10,218	\$ 120,590	\$ 130,808	\$ 967,295	\$ 8,465	\$ 993	\$ 31,873	\$ 41,331	\$ 1,139,434
Accounts receivable	3,119	324	3,443	1,366	23	3	71	97	4,906
Total assets	<u>\$ 13,337</u>	<u>\$ 120,914</u>	<u>\$ 134,251</u>	<u>\$ 968,661</u>	<u>\$ 8,488</u>	<u>\$ 996</u>	<u>\$ 31,944</u>	<u>\$ 41,428</u>	<u>\$ 1,144,340</u>
<u>Liabilities and Fund Balances</u>									
Liabilities									
Accounts payable	\$ 7,258		\$ 7,258		\$ 227			\$ 227	\$ 7,485
Total liabilities	<u>7,258</u>		<u>7,258</u>		<u>227</u>			<u>227</u>	<u>7,485</u>
Fund balances:									
Designated fund balances:									
Other designated fund balances	6,079	120,914	126,993	968,661	8,261	996	31,944	41,201	1,136,855
Total fund balances	<u>6,079</u>	<u>120,914</u>	<u>126,993</u>	<u>968,661</u>	<u>8,261</u>	<u>996</u>	<u>31,944</u>	<u>41,201</u>	<u>1,136,855</u>
Total liabilities and fund balances	<u>\$ 13,337</u>	<u>\$ 120,914</u>	<u>\$ 134,251</u>	<u>\$ 968,661</u>	<u>\$ 8,488</u>	<u>\$ 996</u>	<u>\$ 31,944</u>	<u>\$ 41,428</u>	<u>\$ 1,144,340</u>

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>				<u>Total Non Major Fund</u>
	<u>Cafeteria Fund</u>	<u>Special Reserve Fund for Postemployment Benefits</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>State School Building Lease-Purchase Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	
<u>Revenues</u>								
Federal revenue	\$ 20,420		\$ 20,420					\$ 20,420
Other local revenue	44,993	1,155	46,148	22,019	59	10	288	68,524
Total revenues	<u>65,413</u>	<u>1,155</u>	<u>66,568</u>	<u>22,019</u>	<u>59</u>	<u>10</u>	<u>288</u>	<u>88,944</u>
<u>Expenditures</u>								
Pupil services	106,753		106,753					106,753
Debt service:								
Principal				217,892				217,892
Interest				235,551				235,551
Total expenditures	<u>106,753</u>		<u>106,753</u>	<u>453,443</u>				<u>560,196</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(41,340)</u>	<u>1,155</u>	<u>(40,185)</u>	<u>(431,424)</u>	<u>59</u>	<u>10</u>	<u>288</u>	<u>(471,252)</u>
<u>Other Financing Sources /(Uses)</u>								
Operating transfers in	42,500		42,500					42,500
Total other financing sources	<u>42,500</u>		<u>42,500</u>					<u>42,500</u>
Net change in fund balances	1,160	1,155	2,315	(431,424)	59	10	288	(428,752)
Fund balances, July 1, 2009	4,919	119,759	124,678	1,400,085	8,202	986	31,656	1,565,607
Fund balances, June 30, 2010	<u>\$ 6,079</u>	<u>\$ 120,914</u>	<u>\$ 126,993</u>	<u>\$ 968,661</u>	<u>\$ 8,261</u>	<u>\$ 996</u>	<u>\$ 31,944</u>	<u>\$ 1,136,855</u>

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2010**

The Belmont-Redwood Shores School District (the District) is located in the northeastern portion of San Mateo County, California. The School District was formed as an elementary school district in 1861 and includes all of the City of Belmont and portions of the incorporated cities of San Mateo, Redwood City, Foster City and San Carlos. The School District operates five elementary schools and one middle school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Cathy Wright	President	December, 2011
Andrew Stulbarg	Vice President	December, 2013
Michael Parker	Member	December, 2013
Robert Tashjian	Member	December, 2011
Brian Matthews	Clerk	December, 2013

ADMINISTRATION

Dr. Emerita Orta-Camilleri
Superintendent

Ms. Penny Weaver
Assistant Superintendent, Educational Services and Personnel

Ms. Nellie Hungerford
Assistant Superintendent, Business Services and Operations

**BELMONT-REDWOOD SHORES ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
FEDERAL PROGRAMS:			
U.S. Department of Education:			
Pass-through California Department of Education (CDE)			
Special Education - IDEA Basic Local Assistance	84.027*	13379	\$ 519,087
Special Ed: ARRA IDEA Basic Local Assistance	84.391*	15003	224,481
Special Education - IDEA Preschool Grants	84.173*	13430	28,008
Special Education - ARRA IDEA Preschool Grants	84.392*	15000	42,359
Special Education - IDEA Preschool Local Entitlement	84.027*	13682	53,395
Special Education - ARRA IDEA Preschool Local Entitlement	84.391*	15002	51,859
Special Education - IDEA Preschool Staff Development	84.173*	13431	359
ARRA: State Fiscal Stabilization Fund (SFSF)	84.394*	24997	128,141
Title I - Part A - Basic Grant	84.010	14329	76,231
ARRA Title I - Part A - Basic Grants	84.389	15005	119
Title II - Part A Teacher Quality	84.367	14341	90,146
Title III - Immigrant Education Program	84.365	14346	20,189
Title III - Limited English Proficiency	84.365	10084	14,845
Title IV - Drug Free School	84.186	14347	4,310
Title V - Innovative Strategies	84.298	14354	946
			<hr/>
Total U.S. Department of Education			1,254,475
			<hr/>
U.S. Department of Agriculture:			
Pass-through California Department of Education (CDE)			
Child Nutrition: School Programs (NSL Special Milk Basic)	10.556	13392	20,420
			<hr/>
Total U.S. Department of Agriculture			20,420
			<hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,274,895
			<hr/> <hr/>

* Tested as a major program

See accompanying notes to supplementary information

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Second Period <u>Report</u>	Annual <u>Report</u>	<u>After audit adjustments</u>	
			<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:				
Kindergarten	385	388	386	388
Grades 1 through 3	993	996	993	995
Grades 4 through 6	870	873	870	873
Grades 7 and 8	517	519	517	519
Home and Hospital	1	1	1	1
Special education	<u>71</u>	<u>72</u>	<u>72</u>	<u>73</u>
Elementary Totals	<u><u>2,837</u></u>	<u><u>2,849</u></u>	<u><u>2,839</u></u>	<u><u>2,849</u></u>

Summer School

Hours of Attendance

Elementary

9,544

See accompanying notes to supplementary information

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Minutes as reduced pursuant to Education Code 46201.2</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Minutes as reduced pursuant to Education Code 46201.2</u>	<u>2009-2010 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	34,320	34,320	36,000	36,000	37,800	180	Not Applicable	In Compliance
Grade 1	47,085	47,085	50,400	50,400	51,390	180	Not Applicable	In Compliance
Grade 2	47,085	47,085	50,400	50,400	51,390	180	Not Applicable	In Compliance
Grade 3	47,085	47,085	50,400	50,400	51,390	180	Not Applicable	In Compliance
Grade 4	47,085	47,085	54,000	54,000	54,665	180	Not Applicable	In Compliance
Grade 5	47,085	47,085	54,000	54,000	54,665	180	Not Applicable	In Compliance
Grade 6	55,435	55,435	54,000	54,000	60,080	180	Not Applicable	In Compliance
Grade 7	55,435	55,435	54,000	54,000	60,080	180	Not Applicable	In Compliance
Grade 8	55,435	55,435	54,000	54,000	60,080	180	Not Applicable	In Compliance

See accompanying notes to supplementary information

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (J-200) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report Unaudited Actuals and the audited financial statements.

		General Fund
FUND BALANCE		
Balance as of June 30, 2010	\$	3,425,596
Unaudited Actuals		
Increase in:		
Accounts payable		(75,000)
Balance as of June 30, 2010		
Audited Financial Statements	\$	3,350,596

See accompanying notes to supplementary information

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>General Fund</u>	<u>Budget 2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues & other financial sources	\$ 26,299,315	\$ 29,223,237	\$ 26,835,731	\$ 25,231,634
Expenditures	\$ 26,129,558	\$ 27,268,635	\$ 26,467,014	\$ 25,390,801
Other uses & transfers out	\$ 10,000	\$ 457,545	\$ 831,220	\$ 652,174
Total outgo	\$ 26,139,558	\$ 27,726,180	\$ 27,298,234	\$ 26,042,975
Change in fund balance (deficit)	\$ 159,757	\$ 1,497,057	\$ (462,503)	\$ (811,341)
Ending fund balance	\$ 3,510,353	\$ 3,350,596	\$ 1,853,539	\$ 2,316,042
Available reserves*	\$ 1,043,592	\$ 1,247,573	\$ 1,653,353	\$ 1,302,611
Designated for economic uncertainties	\$ _____	\$ _____	\$ _____	\$ _____
Undesignated fund balance	\$ 1,043,592	\$ 1,247,573	\$ 1,653,353	\$ 1,302,611
Available reserves as a percentage of total outgo	3.99%	4.50%	6.06%	5.00%
Total long-term obligation	\$ 39,120,840	\$ 40,177,709	\$ 41,175,347	\$ 43,450,532
Average daily attendance at P-2	3,003	2,837	2,632	2,459

*Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund (other than capital outlay).

The general fund balance has increased by \$1,034,554 over the past two years. The fiscal year 2010-11 budget projects an increase of \$159,757. For a District this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). As of June 30, 2010, the District has available reserves of \$1,247,573 which is 4.50% of fund expenditures and total outgo.

Total long-term debt has decreased by \$3,272,823 over the last two years.

Average daily attendance has increased by 378 over the past two years.

See accompanying notes to supplementary information

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2010**

**Charter Schools chartered
by the School District**

None

**Included in the
School District Audit**

Not Applicable

See accompanying notes to supplementary information

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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 financial statements.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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 apportionment's 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.

Schedule of Instructional time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

For the fiscal years 2009-10 through 2012-13, the minimum instructional time has been reduced pursuant to the provisions of Education Code Section 46201.2.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

**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**

The Board of Trustees
Belmont-Redwood Shores School District
Belmont, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Belmont-Redwood Shores School District as of and for the year ended June 30, 2010, which collectively comprise Belmont-Redwood Shores School District's basic financial statements and have issued our report thereon dated December 14, 2010. 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 Belmont-Redwood Shores School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belmont-Redwood Shores School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belmont-Redwood Shores School 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

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

This report is intended solely for the information and use of management, members of the governing board, others within the District, State Controller's office, California 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.

Palmieri & Associates
Oakland, California
December 14, 2010

**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**

The Board of Trustees
Belmont-Redwood Shores School District
Belmont, California

Compliance

We have audited Belmont-Redwood Shores School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Belmont-Redwood Shores School District's major federal programs for the year ended June 30, 2010. Belmont-Redwood Shores School District's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of 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 Belmont-Redwood Shores School District's management. Our responsibility is to express an opinion on Belmont-Redwood Shores 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. 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 Belmont-Redwood Shores School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Belmont-Redwood Shores School District's compliance with those requirements.

In our opinion, Belmont-Redwood Shores School 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 year ended June 30, 2010.

Internal Control Over Compliance

The management of Belmont-Redwood Shores School 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 Belmont-Redwood Shores School 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 to test 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 Belmont-Redwood Shores School 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 reasonable possibility that material noncompliance 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 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 management, members of the governing board, others within the District, State Controller's Office, California 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.

Ramin Assouadi
Oakland, California
December 14, 2010

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
 Belmont-Redwood Shores School District
 Belmont, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Belmont-Redwood Shores School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. Our audit was made 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 Audits of California K-12 Local Educational Agencies 2009-10*. 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 opinion.

The Belmont-Redwood Shores School District's management is responsible for Belmont-Redwood Shores School District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine Belmont-Redwood Shores School District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>State Compliance Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time for:		
School District	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	State Compliance Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies <u>2009-10</u>	<u>Procedures Performed</u>
Instructional Materials		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Class Size Reduction Program:		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
District or Charter Schools with Only One School		
Serving of K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	4	Not applicable
Before School	5	Not applicable

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, Belmont-Redwood Shores School District complied with state laws and regulations referred to above, except as described in the Schedule of Findings and Questioned Costs as item 2010-1. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Belmont-Redwood Shores School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the management, members of the governing board, others within the District, State Controller's office, and the California Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Patricia Associates
Oakland, California
December 14, 2010

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported.
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported.
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education – IDEA Basic Local Assistance
84.391	Special Education – ARRA IDEA Basic Local Assistance
84.173	Special Education – IDEA Preschool Grants
84.392	Special Education – ARRA IDEA Preschool Grants
84.027	Special Education – IDEA Preschool Local Entitlement
84.391	Special Education – ARRA IDEA Preschool Local Entitlement
84.173	Special Education – IDEA Preschool Staff Development
84.394	ARRA: State Fiscal Stabilization Fund (SFSF)

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

State Awards

Internal control over state programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for State programs:	<i>Qualified</i>

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2010-1: ATTENDANCE ACCOUNTING AND REPORTING (10000)

Criteria or Specific Requirements:

Under California Education Code, in computing average daily attendance of a school district, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition:

During our review of attendance accounting and reporting at Nesbit Elementary, we noted some errors and inconsistencies in reporting the attendance of pupils where absences and tardys that were logged were not reported; or absences were reported but later verified as tardys. Our review also revealed that some teachers have not taken attendance during class on certain days. Moreover, record of absences during the first day of school was missing and completeness of the absence log kept by the school cannot be ascertained.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

The District had taken corrective action, and reviewed and corrected the attendance data of Nesbit Elementary based on available information and records.

Questioned Costs:

As the District is a basic aid district, there is no questioned cost.

Effect:

The reported average daily attendance during the second period was understated by two after completing the review of the available attendance data at Nesbit Elementary. However, there were days when teachers had not taken attendance, and phone logs were missing and incomplete, thus, effect is unknown.

Cause:

The attendance reporting was not reviewed by the District for its accuracy and completeness.

Recommendation:

We recommend that the District should strengthen its review process over the reporting of the daily attendance of the schools to ensure that the reports submitted by the District accurately reflect the actual student attendance.

Views of the responsible officials and planned corrective action:

The District acknowledges that the attendance monitoring procedures warrant a change. The following steps have been taken to improve the attendance procedures:

- Utilization of a log form that maintains absent and tardy data for each day for accurate coding into the Aeries student data system;
- Weekly, monthly and attendance summaries are being monitored for accuracy;
- User group meeting are held most months to articulate and collaborate and to continue professional development in the use of Aeries; and
- An Attendance Accounting Manual for the District will be developed in 2010-11.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

FINDING

STATUS

2009-1: CAPITAL ASSETS (20000; 30000)

Complete inventory of capital assets should be maintained in a timely manner.

Implemented.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

COUNTY OF SAN MATEO

BELMONT, CALIFORNIA

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM PERFORMANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 2010**

 **Patel &
Associates**
Certified Public Accountant

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Belmont-Redwood Shores School District
Belmont, California

We have examined Belmont-Redwood Shores School District's compliance with the performance requirements for the Proposition 39/Measure C General Obligation Bonds for the fiscal year ended June 30, 2010, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Belmont-Redwood Shores School District's compliance with those requirements. Our responsibility is to express an opinion on Belmont-Redwood Shores School District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Belmont-Redwood Shores School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Belmont-Redwood Shores School District's compliance with specified requirements.

In our opinion, Belmont-Redwood Shores School District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2010.

This report is intended solely for the information and use of the Board of Trustees, the Measure C Citizens' Oversight Committee and the District's management and is not intended to be and should not be used by anyone other than these specified parties.

Patel & Associates
Oakland, California
December 20, 2010

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2010**

PERFORMANCE AUDIT

Performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of an organization, program or activity in order to provide information to improve public accountability and facilitate decision making by parties with responsibility to oversee or initiate corrective action. The performance audit evaluates the use of General Obligation Series A bonds for **compliance** with the Measure requirements.

Article XIII A of the California Constitution requires school districts that have passed general obligation bonds under the provision of Proposition 39 to conduct an annual performance audit to ensure that the funds have been expended only on the specific projects approved by the voters and specified by the Board of Education.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the Belmont Redwood-Shores School District's Bond Projects Fund established for the bonds and the net bond proceeds into the Bond Projects Fund.
- Determine whether expenditures charged to the Bond Projects Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure C in November 2005.
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District's Board of Trustees and the Citizens' Oversight Committee with a performance audit as required under the provisions of the California Constitution and Proposition 39.
- Ensure that, as prohibited by Section 1(b)(3)(A) of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or any other school operating expenditures.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2010**

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2009 to June 30, 2010. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit.

BACKGROUND INFORMATION

In November, 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. On November 8, 2005, a general obligation bond proposition (Measure C) of Belmont-Redwood Shores School District was approved by the voters of the District. The voters authorized the District to issue up to \$25,000,000 of General Obligation Series A Bonds to finance the acquisition of land and construction of new elementary school and to pay the cost of issuance associated with the bonds. The Bonds are being issued by the County on behalf of the District under and pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, and other applicable laws, and all laws amendatory thereof or supplemental thereto insofar as they govern, and pursuant to the provisions of the District Resolution and the County Resolution.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Bond Projects Fund have been expended only for the authorized bond projects.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2010

PROCEDURES PERFORMED

Methodology and Procedures:

We performed the following agreed upon procedures in the course of completing the performance audit:

1. We reviewed the Measure C ballot language and specific project list in order to understand and evaluate the use of General Obligation Series A bonds for compliance with Proposition 39 and Measure C requirements.
2. We reviewed the Bond Projects Fund accounting records, contracts, purchase orders, invoices, payment records and other supporting documentation of current expenditures as needed to determine if funds were being used for bond program purposes. We selected at least 80% of total expenditures for the period of July 1, 2009 to June 30, 2010 using a combination of random and risk-based targeted testing sampling technique, and compared these expenditures to the specific bond projects listed and authorized in the ballot text.
3. We verified that no funds are used for any teacher or administrative salaries or any other school operating expenditures as prohibited by Section 1(b)(3)(A) of Article XIII A of the California Constitution.

Expenditures Audited:

We selected a sample of 35 payments from the time period of July 1, 2009 through June 30, 2010. The total dollar amount sampled was \$12,835,144 out of the total Measure C expenditures of \$13,129,616. Our sample resulted in 97.8% sample coverage of the entire fiscal year 2010 expenditures population. As of June 30, 2010, the District has spent a cumulative \$ 25,096,355 of Measure C funds.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT
JUNE 30, 2010

CONCLUSION

Based upon our procedures performed, we found that for the items tested, Belmont-Redwood Shores School District has properly accounted for the expenditures of the funds held in the Bond Projects Fund and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the Bond Projects Fund and expended by the District were not used for any teacher or administrative salaries or any other school operating expenditures.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2010**

There were no findings and recommendations for fiscal year ended June 30, 2010.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C BOND PROGRAM
PERFORMANCE AUDIT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

There were no findings and questioned costs in prior year.

BELMONT-REDWOOD SHORES SCHOOL DISTRICT
COUNTY OF SAN MATEO
BELMONT, CALIFORNIA
AUDITED FINANCIAL STATEMENTS
2005 GENERAL OBLIGATION, SERIES A BOND FUND
FOR THE YEAR ENDED JUNE 30, 2010

BELMONT-REDWOOD SHORES SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Belmont-Redwood Shores School District
Belmont, California

We have audited the accompanying financial statements of the 2005 General Obligation, Series A Bond Fund of Belmont-Redwood Shores School District as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of Belmont-Redwood Shores School District's management. 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. 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 opinion.

As discussed in Note 2, the financial statements present only the 2005 General Obligation, Series A Bond Fund and do not purport to and do not present fairly the financial position of Belmont-Redwood Shores School District, as of June 30, 2010 and the changes in its financial position for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2005 General Obligation, Series A Bond Fund of Belmont-Redwood Shores School District as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Patel & Associates
Oakland, California
December 20, 2010

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
BALANCE SHEET
2005 GENERAL OBLIGATION, SERIES A BOND FUND
JUNE 30, 2010**

ASSETS

Cash and investments (Notes 2 and 3)	\$ 488,096
Accounts receivable	2,934
Due from other funds (Note 4)	300,000
Other current assets	<u>28,038</u>
Total assets	<u>\$ 819,068</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>478,846</u>
Total liabilities	<u>478,846</u>
Fund balance:	
Reserved for prepaid items	28,038
Designated for capital outlay	<u>312,184</u>
Total fund balance	<u>340,222</u>
Total liabilities and fund balance	<u>\$ 819,068</u>

The notes to the financial statements are an integral part of these financial statements.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
2005 GENERAL OBLIGATION, SERIES A BOND FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Revenues	
Revenues from local sources:	
Interest and investment earnings	\$ <u>44,142</u>
Total revenues	<u>44,142</u>
Expenditures	
Classified salaries	9,984
Employee benefits	306
Technology and classroom equipment	66,994
Services and other operating expenditures	722
Capital outlay	<u>13,051,610</u>
Total expenditures	<u>13,129,616</u>
Deficiency of revenues under expenditures	<u>(13,085,474)</u>
<u>Other Financing Sources /(Uses)</u>	
Operating transfer in	<u>300,000</u>
Total other financing sources	<u>300,000</u>
Net change in fund balance	(12,785,474)
Fund balance - June 30, 2009	<u>13,125,696</u>
Fund balance - June 30, 2010	<u>\$ <u>340,222</u></u>

The notes to the financial statements are an integral part of these financial statements.

**BELMONT-REDWOOD SHORES SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
2005 GENERAL OBLIGATION, SERIES A BOND FUND
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - A. BACKGROUND

Belmont-Redwood Shores School District (The District) issued 2005 General Obligation, Series A bond on August 30, 2007. The 2005 General Obligation Series A Bonds represent all of the bonds authorized at an election held on November 8, 2005. The voters authorized the issuance and sale of \$25,000,000 of general obligation bonds to finance the acquisition of land and the construction of a new elementary school and to pay the cost of issuance associated with the bonds. The Bonds are being issued by the County on behalf of the District under and pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, and other applicable laws, and all laws amendatory thereof or supplemental thereto insofar as they govern, and pursuant to the provisions of the District Resolution and the County Resolution.

The Bonds were authorized by the voters of the District pursuant to provisions of the Constitution of the State of California including Proposition 39, the initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55% vote.

B. DEFINITION OF THE FUND

The 2005 General Obligation, Series A Bond Fund (Bond Fund) is used to account for the expenditures related to the acquisition and the construction of the new school.

The fund is part of the Building Fund of the District and represents only the expenditures incurred under the fund.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Department of Education's *California School Accounting Manual*.

B. Fund Structure - The accompanying financial statements are used to account for the transactions of the bond fund and are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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 bond fund is accounted for using the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

D. Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in bank and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with Education Code Section 41001, the District maintains substantially all its cash under the fund in the San Mateo County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any 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.

2. Capital Assets

Property, plant and equipment used in the fund operations are accounted for in the government-wide financial statements of the District. Thus, they are not included in the accompanying financial statements.

3. Long-Term Obligations

The District reports long-term debt of the fund in the liabilities section of the District's statement of net assets.

4. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

5. Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments under the bond fund consist of the following at June 30, 2010:

Cash in County treasury	\$ <u>488,096</u>
Total cash and investments	\$ <u><u>488,096</u></u>

Cash with County treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Information regarding the characteristics of the entire investment pool can be found in the County's June 30, 2010 basic financial statements. A copy of that report may be obtained by contacting the Controller's Office, County of San Mateo, 555 County Center, Redwood City 94063.

Policies and Practices

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules 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	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptance	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through funds	5 years	20%	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None
Joint powers authority pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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. The District manages its exposure to interest rate risk 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.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity of the District's investment in County Pool is 1 year.

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. The San Mateo County Pool and the State Investment Pool are not rated.

NOTE 4: DUE FROM OTHER FUNDS

The bond fund receives contribution from other funds to cover future expenses for completion of the Redwood Shores School project. As of June 30, 2010, the balance of due from other funds was \$300,000. The District will transfer the amount to the bond funds in the year 2010-11. When the District receives State matching funds in the future the \$300,000 contribution will be reimbursed to the lending Fund.

NOTE 5: CONSTRUCTION COMMITMENTS

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects related to Bond Fund:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
New School	\$ <u>281,044</u>	August 2010