NEW ISSUE—BOOK-ENTRY ONLY

RATING:
Standard & Poor's: "AAA"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$9,415,000
ROSS ELEMENTARY SCHOOL DISTRICT
(Marin County, California)
2014 General Obligation Refunding Bonds
(Bank Qualified)

Dated: Date of Delivery **Due: August 1, as shown below**

The $9,415,000 Ross Elementary School District (Marin County, California) 2014 General Obligation Refunding Bonds (the "Bonds") are being issued by the Ross Elementary School District (the "District") pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Board of Trustees of the District. The Bonds are being issued to (a) refund, on a current basis, the District's outstanding Ross Elementary School District (Marin County, California) General Obligation Bonds, Election of 2006, Series 2006), maturing on August 1, 2026, through August 1, 2031, and (b) pay for costs of issuance of the Bonds.

The Bonds constitute general obligations of the District. The Board of Supervisors of Marin County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2014. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$8,940,000 Serial Bonds

CUSIP† Prefix: 778225

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2014	$175,000	2.000%	0.200%	CW0	2026	$1,095,000	4.000%	2.500%	DF6
2015	70,000	2.000	0.250	CX8	2027	1,210,000	4.000	2.600	DG4
2016	70,000	2.000	0.350	CY6	2028	1,340,000	4.000	2.750	DH2
2017	70,000	2.000	0.550	CZ3	2029	1,485,000	3.000	2.800	DJ8
2018	75,000	2.000	0.850	DA7	2030	1,620,000	3.000	2.900	DK5
2025	85,000	3.000	2.400	DE9	2031	1,645,000	3.200	3.200	DL3

$150,000 2.000% Term Bonds maturing August 1, 2020, Price: 103.816%, to yield 1.350%—CUSIP† 778225 DB5

$160,000 2.000% Term Bonds maturing August 1, 2022, Price: 101.506%, to yield 1.800%—CUSIP† 778225 DC3

$165,000 2.250% Term Bonds maturing August 1, 2024, Price: 101.362%, to yield 2.100%—CUSIP† 778225 DD1

This cover page and the inside cover page contain information for quick reference only. They are not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 11, 2014.

The date of this Official Statement is May 21, 2014

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond or note owner and the District or the Underwriter indicated in this Official Statement.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

ROSS ELEMENTARY SCHOOL DISTRICT
9 Lagunitas Road
Ross, California 94957
(415) 457-2705
http://www.rossschool.k12.ca.us

DISTRICT ADMINISTRATION

Chi Kim, *Superintendent*
Deborah Wolfe, *Chief Business Official*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

FINANCIAL ADVISOR
Stifel, Nicolaus & Company, Incorporated
San Francisco, California

PAYING AGENT, TRANSFER AGENT,
AUTHENTICATION AGENT and ESCROW BANK
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

VERIFICATION AGENT
Causey Demgen & Moore P.C.
Denver, Colorado

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

$9,415,000
ROSS ELEMENTARY SCHOOL DISTRICT
(Marin County, California)
2014 General Obligation Refunding Bonds
(Bank Qualified)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of $9,415,000 2014 General Obligation Refunding Bonds (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The District, a political subdivision of the State of California (the "State"), is an elementary school district located in the town of Ross (the "Town"), in Marin County (the "County"), approximately 18 miles north of San Francisco, across the Golden Gate Bridge. The District serves the students of the Town and sections of Kentfield and San Rafael, which border the Town's boundaries, and adjacent unincorporated areas of the County.. It has one school, the Ross School, which serves elementary school children attending kindergarten through eighth grade. The District operates as a "basic aid" district.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2013, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

Sources of Payment for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division

2 of Title 5 of the California Government Code. The Bonds are authorized to be issued pursuant to a resolution (the "Resolution"), adopted by the Board of Trustees of the District (the "District Board") on April 30, 2014.

The Bonds are being issued to (a) refund, on a current basis, the District's outstanding Ross Elementary School District (Marin County, California) General Obligation Bonds, Election of 2006, Series 2006) (the "2006 Bonds"), maturing August 1, 2026, through August 1, 2031 (the "Refunded 2006 Bonds"), and (b) pay for costs of issuance of the Bonds. The 2006 Bonds were issued to finance educational facilities. See "THE BONDS—Sources and Uses of Funds" and "THE BONDS—Plan of Refunding."

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2014.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel ("Bond Counsel"), subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In addition, in the opinion of Bond Counsel, the Bonds are a "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986. In the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser thereof, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 11, 2014.

Continuing Disclosure

The District will covenant for the benefit of the holders of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Ross Elementary School District, 9 Lagunitas Road, Ross, CA 94957, telephone (415) 457-2705. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code. The Bonds are authorized pursuant to the Resolution.

Purpose of Issuance

The Bonds are being issued to (a) refund the Refunded 2006 Bonds and (b) pay for costs of issuance of the Bonds. See "—Sources and Uses of Funds" and "—Plan of Refunding."

The District has authorized and issued certain other general obligation bonds. See "THE DISTRICT FINANCIAL INFORMATION—District Debt—General Obligation Bonds."

Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected with respect to the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Director of Finance will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by County, through the County Director of Finance, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF BONDS."

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1,

2014. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2014, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent; *provided however*, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any owner of Bonds in the aggregate principal amount of $1,000,000 or more. See also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and "DEBT SERVICE SCHEDULES—Bonds."

Payment

The redemption price, if any, on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute obligations of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on and prior to August 1, 2024, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, 2025, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, 2024 (in such maturities and amounts as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Bonds maturing on August 1, 2020, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2019, and August 1, 2020, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2019	$75,000
2020†	75,000

†Maturity

The Bonds maturing on August 1, 2022, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2021, and August 1, 2022, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2021	$80,000
2022†	80,000

†Maturity

The Bonds maturing on August 1, 2024, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2023, and August 1, 2024, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2023	$80,000
2024†	85,000

†Maturity

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bonds to be redeemed, the portion of the principal amount of such Bonds to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and the respective owners of any registered Bonds designated for redemption at their addresses appearing on the bond register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. Upon the surrender of any Bonds redeemed in part only (other than Bonds redeemed from sinking fund payments), the Paying Agent shall execute and deliver to the registered owner thereof a new Bonds or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

The Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay all Bonds outstanding, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities (as defined below), as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of the Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Bonds will cease and terminate, except for the obligation of the County and the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Securities" means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein; (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AA+" by Standard & Poor's if the Bonds are then rated by Standard & Poor's, and "Aaa" by Moody's Investors Service if the Bonds are then rated by Moody's Investors Service.

Partial Defeasance

A portion of the then-outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay the designated outstanding maturities of Bonds, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities, as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge the designated outstanding maturities of Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any such designated maturities of Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all such outstanding maturities of Bonds will cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the designated Bonds of such maturities not so surrendered and paid, all sums due with respect thereto.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (each, a "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of the same series of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled

Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Interest Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Bonds are as follows:

Sources of Funds:	
Principal Amount of Bonds	$9,415,000.00
Plus: Original Issue Premium	509,645.80
Total Sources of Funds	$9,924,645.80
Uses of Funds:	
Deposit to Escrow Fund (1)	$9,762,075.95
Costs of Issuance (2)	162,569.85
Total Uses of Funds	$9,924,645.80

(1) Amounts deposited in the Escrow Fund will be applied to the refunding of the Refunded 2006 Bonds. See "THE BONDS—Plan of Refunding."
(2) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, financial advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Plan of Refunding

A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement by and between the District and the Escrow Bank. The moneys deposited in the Escrow Fund will be invested in U.S. Treasury Securities—State and Local Government Series (the "SLGS") the maturing principal of which, and investment earnings thereon, together with uninvested cash in the Escrow Fund, will be sufficient to redeem the Refunded 2006 Bonds in full on August 1, 2014, at a redemption price equal to 101% of the then principal amount of the Refunded 2006 Bonds, together will accrued interest on the Refunded 2006 Bonds through such date.

The Refunded 2006 Bonds are identified in the following table:

Ross Elementary School District
Identification of Refunded 2006 Bonds

Maturities to be Refunded	CUSIP† Number	Principal Amount To be Redeemed	Redemption Date	Redemption Price (% of par Redeemed)
8/1/2026	778225 CC4	$1,185,000	8/1/2014	101%
8/1/2027	778225 CD2	1,330,000	8/1/2014	101
8/1/2028	778225 CE0	1,495,000	8/1/2014	101
8/1/2029	778225 CF7	1,670,000	8/1/2014	101
8/1/2030	778225 CG5	1,855,000	8/1/2014	101
8/1/2031	778225 CH3	1,910,000	8/1/2014	101

The mathematical accuracy of the calculation as to the sufficiency of anticipated receipts from the SLGS and cash in the Escrow Fund to meet the redemption requirements of the Refunded 2006 Bonds and the calculation of the yield with respect to the Bonds will be verified by Causey Demgen & Moore P.C., a firm of independent certified public accountants (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Fund") and used to pay costs associated with the issuance of the Bonds. Any proceeds of sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be transferred by the Paying Agent to the County Director of Finance for deposit in the Interest and Sinking Fund maintained by the County Director of Finance for the District to be used only for payment of principal of and interest on the Bonds. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested on behalf of the District by the County Director of Finance pursuant to law and the investment policy of the County. See "COUNTY INVESTMENT POOL."

The 2006 Bonds that are *not* being refunded are identified in the following table:

Ross Elementary School District
Identification of 2006 Bonds to Remain Outstanding
Following Issuance of the Bonds

Maturity Date	Original Denominational Amount	Maturity Value	CUSIP† Number
8/1/2014	$370,000.00*	—	778225 BQ4
8/1/2015	287,947.80	$ 420,000	778225 AW2
8/1/2016	307,850.00	470,000	778225 AX0
8/1/2017	325,109.20	520,000	778225 AY8
8/1/2018	349,592.70	590,000	778225 AZ5
8/1/2019	350,250.00	625,000	778225 BA9
8/1/2020	367,543.80	695,000	778225 BB7
8/1/2021	381,046.50	765,000	778225 BC5
8/1/2022	386,917.00	820,000	778225 BD3
8/1/2023	408,608.20	910,000	778225 BE1
8/1/2024	414,004.50	975,000	778225 BF8
8/1/2025	421,071.00	1,050,000	778225 BG6

*Current interest bond principal amount.

Debt Service Schedule

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Period Ending	Principal	Interest (1)	Total Debt Service
8/1/14	$ 175,000	$ 43,507.29	$ 218,507.29
8/1/15	70,000	309,752.50	379,752.50
8/1/16	70,000	308,352.50	378,352.50
8/1/17	70,000	306,952.50	376,952.50
8/1/18	75,000	305,552.50	380,552.50
8/1/19	75,000	304,052.50	379,052.50
8/1/20	75,000	302,552.50	377,552.50
8/1/21	80,000	301,052.50	381,052.50
8/1/22	80,000	299,452.50	379,452.50
8/1/23	80,000	297,852.50	377,852.50
8/1/24	85,000	296,052.50	381,052.50
8/1/25	85,000	294,140.00	379,140.00
8/1/26	1,095,000	291,590.00	1,386,590.00
8/1/27	1,210,000	247,790.00	1,457,790.00
8/1/28	1,340,000	199,390.00	1,539,390.00
8/1/29	1,485,000	145,790.00	1,630,790.00
8/1/30	1,620,000	101,240.00	1,721,240.00
8/1/31	1,645,000	52,640.00	1,697,640.00
TOTAL	$9,415,000	$4,407,712.29	$13,822,712.29

Preliminary, subject to change.

(1) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2014.

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co.

(DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

The District is an elementary district located in the Town, in the County, serving the students of the Town and sections of Kentfield and San Rafael, and adjacent unincorporated areas of the County, which border Ross's boundaries. It has one school, the Ross School, which serves elementary school children attending kindergarten through eighth grade. Graduating eighth grade students attend high school in the Tamalpais Union High School District. The District was established in 1867.

Enrollment in the District for grades K-8 in the 2012-13 school year was 335 students, and is budgeted at 379 students in fiscal year 2013-14. In fiscal year 2013-14, the District has budgeted for approximately 53 employees. Budgeted full-time-equivalent positions (FTEs) include 32.7 certificated (credentialed teaching) staff, 14 classified (non-teaching) staff, 3.8 management personnel and 2.5 confidential staff. The District has budgeted general fund expenditures of approximately $6,000,000 in fiscal year 2013-14. Total assessed valuation of taxable property in the District in fiscal year 2013-14 is $1,762,740,424. The District operates under the jurisdiction of the County Superintendent of Schools.

The District is a "basic aid district," which means that it receives a minimal amount of financial support from the State. Instead, the District is funded almost entirely by local property tax collections, which derive from the 1% countywide property tax levy required by statute.

Governing Board and Administration

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

BOARD OF TRUSTEES
Ross Elementary School District

Name	Position	Expiration of Term
John Longley	President	December 2015
Whit Gaither	Vice President	December 2017
Todd Blake	Board Member	December 2017
Josh Fisher	Board Member	December 2017
Ann Sutro	Board Member	December 2015

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools, Chi Kim, and by the District Chief Business Official, Deborah Wolfe.

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

AVERAGE DAILY ATTENDANCE
Ross Elementary School District
fiscal years 2006-07 to 2013-14

fiscal year	Average Daily Attendance
2006-07	369
2007-08	359
2008-09	361
2009-10	335
2010-11	344
2011-12	333
2012-13	338
2013-14	356*

Source: Ross Elementary School District
*Projected.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 58% of its total general fund operating revenues from local property taxes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county Director of Finance prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Director of Finance, as ex officio treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "DISTRICT FINANCIAL INFORMATION" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll."

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

The table below shows the assessed valuation in the District for fiscal years 1994-95 to 2013-14.

HISTORIC ASSESSED VALUATIONS
Ross Elementary School District
fiscal years 1994-95 to 2013-14

fiscal year	Total Secured	Annual % Change	Unsecured	Annual % Change	Total Valuation	Annual % Change
1994-95	$ 480,653,180	—	$3,616,667	—	$ 484,269,847	—
1995-96	512,084,129	6.54%	3,216,539	-11.06%	515,300,668	6.41%
1996-97	539,626,417	5.38%	3,689,035	14.69%	543,315,452	5.44%
1997-98	575,252,063	6.60%	3,739,704	1.37%	578,991,767	6.57%
1998-99	613,714,535	6.69%	2,125,780	-43.16%	615,840,315	6.36%
1999-00	695,780,636	13.37%	2,468,692	16.13%	698,249,328	13.38%
2000-01	803,056,753	15.42%	2,409,244	-2.41%	805,465,997	15.36%
2001-02	876,799,028	9.18%	2,178,250	-9.59%	878,977,278	9.13%
2002-03	968,721,448	10.48%	2,060,401	-5.41%	970,781,849	10.44%
2003-04	1,055,501,315	8.96%	1,902,698	-7.65%	1,057,404,013	8.92%
2004-05	1,124,198,022	6.51%	1,724,392	-9.37%	1,125,922,414	6.48%
2005-06	1,201,130,011	6.84%	1,674,278	-2.91%	1,202,804,289	6.83%
2006-07	1,309,496,570	9.02%	1,186,116	-29.16%	1,310,682,686	8.97%
2007-08	1,410,645,921	7.72%	1,190,147	0.34%	1,411,836,068	7.72%
2008-09	1,505,074,569	6.69%	1,276,045	7.22%	1,506,350,614	6.69%
2009-10	1,558,757,798	3.57%	1,555,132	21.87%	1,560,312,930	3.58%
2010-11	1,598,967,904	2.58%	1,628,796	4.74%	1,600,596,700	2.58%
2011-12	1,618,526,658	1.22%	1,607,405	-1.31%	1,620,134,063	1.22%
2012-13	1,674,297,684	3.45%	1,553,823	-3.33%	1,675,851,507	3.44%
2013-14	1,761,750,527	5.22%	989,897	-36.29%	1,762,740,424	5.18%

Source: Marin County; Ross Elementary School District; California Municipal Statistics, Inc.

The following table shows the 2013-14 assessed valuation of each jurisdiction with the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION(1)
Ross Elementary School District
fiscal year 2013-14

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
Town of Ross	$ 1,514,944,565	85.94%	$ 1,520,305,380	99.65%
City of San Rafael	27,254,344	1.55	10,343,393,919	0.26%
Unincorporated Marin County	220,541,515	12.51	16,311,386,097	1.35%
Total District	$ 1,762,740,424	100.00%		
Marin County	$ 1,762,740,424	100.00%	$ 58,778,886,574	3.00%

Source: California Municipal Statistics, Inc.
(1) Before deduction of redevelopment incremental valuation.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Ross Elementary School District
fiscal year 2013-14

	2013-14 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non Residential:				
Commercial	$9,806,481	0.56%	12	1.08%
Vacant Commercial	905,081	0.05	2	0.18
Government/Social/Institutional	3,423,974	0.19	57	5.13
Subtotal Non-Residential	$14,135,536	0.80%	71	6.38%
Residential:				
Single Family Residence	$1,735,853,994	98.53%	961	86.42%
Vacant Residential	11,760,997	0.67	80	7.19
Subtotal Residential	$1,747,614,991	99.20%	1,041	93.62%
Total	$1,761,750,527	100.00%	1,112	100.00%

Source: California Municipal Statistics, Inc.
[1] Local secured assessed valuation; excluding tax-exempt property.

The following table focuses on single-family residential properties only, which comprise approximately 86.42% of the assessed value of taxable property in the District. The average assessed value per parcel is $1,806,300, and the median assessed value per parcel is $1,281,044.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Ross Elementary School District
fiscal year 2013-14

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	961	$ 1,735,853,994	$ 1,806,300	$ 1,281,044

2013-14 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	8	0.830%	0.830%	$ 553,035	0.03%	0.03%
$100,000 - $199,999	66	6.868	7.700	10,053,593	0.579	0.611
$200,000 - $299,999	53	5.515	13.215	12,905,262	0.743	1.354
$300,000 - $399,999	45	4.683	17.898	15,559,192	0.896	2.251
$400,000 - $499,999	30	3.122	21.020	13,806,640	0.795	3.046
$500,000 - $599,999	37	3.850	24.870	20,418,495	1.176	4.222
$600,000 - $699,999	33	3.434	28.304	21,337,284	1.229	5.452
$700,000 - $799,999	41	4.266	32.570	30,486,644	1.756	7.208
$800,000 - $899,999	34	3.538	36.108	28,988,711	1.670	8.878
$900,000 - $999,999	39	4.058	40.166	36,795,162	2.120	10.998
$1,000,000 - $1,099,999	31	3.226	43.392	32,455,200	1.870	12.867
$1,100,000 - $1,199,999	39	4.058	47.451	44,810,597	2.581	15.449
$1,200,000 - $1,299,999	26	2.706	50.156	32,364,596	1.864	17.313
$1,300,000 - $1,399,999	30	3.122	53.278	40,375,283	2.328	19.639
$1,400,000 - $1,499,999	34	3.538	56.816	49,323,076	2.841	22.481
$1,500,000 - $1,599,999	31	3.226	60.042	47,877,384	2.758	25.239
$1,600,000 - $1,699,999	22	2.289	62.331	36,099,323	2.080	27.319
$1,700,000 - $1,799,999	20	2.081	64.412	35,210,137	2.028	29.347
$1,800,000 - $1,899,999	18	1.873	66.285	33,181,657	1.912	31.258
$1,900,000 - $1,999,999	20	2.081	68.366	38,946,665	2.244	33.502
$2,000,000 and greater	304	31.634	100.000%	1,154,306,058	66.498	100.000%
Total	961	100.00%		$1,735,853,994	100.00%	

Source: California Municipal Statistics, Inc.
(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the two principal Tax Rate Areas ("TRAs") within the District from fiscal year 2009-10 to fiscal 2013-14. TRA 6-000 comprises approximately 85.31% of the total assessed value of property in the District.

TYPICAL TAX RATE PER $100 ASSESSED VALUATION
Ross Elementary School District
fiscal years 2009-10 to 2013-14

Total Tax Rates (TRA 6-000 – 2013-14)

	2009-10	2010-11	2011-12	2012-13	2013-14
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Tamalpais Union High School District	.0425	.0482	.0410	.0371	.0386
Marin Community College District	.0192	.0136	.0175	.0178	.0204
Ross School District	.0566	.0607	.0655	.0664	.0657
Total	$1.1183	$1.1225	$1.124	$1.1213	$1.1247

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District.

SECURED TAX CHARGE AND DELINQUENCY
Ross Elementary School District
fiscal years 2008-09 to 2012-13

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2008-09	$ 810,163.20	$ 19,835.99	2.45%
2009-10	874,260.66	24,194.26	2.77
2010-11	951,096.38	15,187.09	1.60
2011-12	1,057,032.08	19,080.88	1.81
2012-13	1,120,728.34	11,769.70	1.05

Source: California Municipal Statistics, Inc.
(1) Bond debt service levy.

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2013-14, representing 13.6% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Ross Elementary School District
fiscal year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total[1]
1.	36 Glenwood LLC	Residence	$ 25,000,000	1.42%
2.	Edward and Elizabeth McDermott, Trust	Residence	18,391,946	1.04
3.	Eric Greenberg, Trust	Residence	16,225,300	0.92
4.	Jennifer Maxwell, Trust	Residence	16,155,137	0.92
5.	Alan Grujic	Residence	14,504,961	0.82
6.	Kevin G. Douglas, Trust	Residence	14,234,304	0.81
7.	Laurel Grove Trust 2011	Residence	13,770,000	0.78
8.	Donna M. Fellows	Residence	12,967,935	0.74
9.	Glenwood Ave. LLC	Residence	12,500,000	0.71
10.	Steven Scarpa	Residence	11,199,600	0.64
11.	Paul Bacchi	Residence	10,884,993	0.62
12.	Michael A. Zeff, Trust	Residence	9,158,131	0.52
13.	Andrea Alberini	Residence	9,100,378	0.52
14.	Joan T. Dea	Residence	8,500,000	0.48
15.	14 Hotaling Court LLC	Residence	8,400,000	0.48
16.	Lyons Family Trust	Residence	8,200,000	0.47
17.	James Babcock	Residence	7,500,000	0.43
18.	Philip C. Lesh, Trust	Residence	7,500,000	0.43
19.	Martin L. Shore, Trust	Residence	7,500,000	0.43
20.	DMLK LLC	Residence	7,489,000	0.43
			$ 239,181,685	13.58%

Source: California Municipal Statistics, Inc.
(1) 2013-14 local secured and utility assessed valuation: $1,761,750,527.

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase, although the District does not currently have any voter authorization to issue additional bonds.

State-Assessed Property. Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Tax Collector against all taxing agencies who received tax revenues, including the District.

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of April 1, 2014, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Ross Elementary School District
As of April 1, 2014

ROSS ELEMENTARY SCHOOL DISTRICT

2013-14 Assessed Valuation: $1,762,740,424

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/14
Marin Community College District	3.004%	$ 6,631,931
Tamalpais Union High School District	5.141	7,379,134
Ross School District	**100.000**	**20,429,941**(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$34,441,006
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Marin County General Fund Obligations	2.999%	$2,149,901
Marin County Pension Obligations	2.999	3,181,489
Marin County Transit District Authority General Fund Obligations	2.999	5,076
Marin Community College District General Fund Obligations	3.004	82,335
Marin Municipal Water District General Fund Obligations	3.855	5,309
Town of Ross General Fund Obligations	99.647	115,784
City of San Rafael General Fund Obligations and Pension Obligation Bonds	0.263	34,495
Kentfield Fire Protection District General Fund Obligations	8.194	252,261
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$5,826,650
COMBINED TOTAL DEBT		$40,267,656(2)

(1) Excludes the Bonds described herein.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($20,429,941) 1.16%
Total Direct and Overlapping Tax and Assessment Debt................ 1.95%
Combined Total Debt 2.28%

Source: California Municipal Statistics, Inc.

COUNTY INVESTMENT POOL

In accordance with Section 41001 of the California Education Code, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer-tax collector serves as ex officio treasurer for those school district located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq.* of the California Government Code. In addition, each treasurer-tax collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the Director of Finance, Marin County 3501 Civic Center Drive, Room 225, San Rafael, California, 94903, Telephone: (415) 473-6154. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of March 31, 2014, is included here in APPEDIX D—COUNTY QUARTERLY INVESTMENT REPORT.

LEGAL OPINIONS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel for the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Subject to the District's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax exempt obligations" under the small issuer exception provided under section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California Person income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX E—FORM OF OPINION OF BOND COUNSEL.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated, San Francisco, California, has served as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than April 15 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2013-14 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has not consistently made its required annual filings for the last five years. It has, however, since made all prior and current filings and has established new procedures to ensure timely compliance in the future, including instituting an in-house electronic alert for scheduling the preparation of the continuing disclosure annual report and delivering the report to the MSRB. Consultants to the District will assist in this effort by providing independent reminders of the respective due dates and information on annual updates to assessed valuation and property tax delinquencies..

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or contesting the District's ability to issue and retire the Bonds.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned the rating of "AAA" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to the computation of (a) the adequacy of forecasted receipts of principal and interest on the cash to be held in the Escrow Fund to pay, when due, the principal and interest on the Refunded 2006 Bonds, and (b) the yield with respect to the Bonds and the securities to be deposited to the Escrow Fund upon the delivery of the Bonds, will be verified by the Verification Agent. Such verification of the accuracy of the mathematical computations shall be based solely upon information and assumptions supplied to such accountants by the Underwriter. Such accountants have restricted their procedures to examining the arithmetical accuracy of certain computations and have not made a study or evaluation of the information and assumptions on which the computations are based, and accordingly, have not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

Following a competitive sale, the Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $9,865,434.75 (being equal to the aggregate principal amount of the Bonds of $9,415,000.00, plus an original issue premium of $509,645.80, less an Underwriter's discount of $59,211.05). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. In addition, the Underwriter will pay certain costs of issuance of the Bonds, as set forth in the bond purchase agreement relating to the Bonds. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution, the Continuing Disclosure Certificate of the District and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District Board.

ROSS ELEMENTARY SCHOOL DISTRICT

By /s/ Chi Kim
Chi Kim
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

While the economics of the Town of Ross (the "Town") and Marin County (the "County") and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The County, located in the San Francisco-Oakland metro area, is one of 58 counties in California. One of the nine Bay Area counties, the County is linked to San Francisco by the Golden Gate Bridge and to the East Bay by the Richmond-San Rafael Bridge. It is bordered on the north and northeast by Sonoma County and on the west by the Pacific Ocean. The District is located in the Town, a small, largely residential community in the County, approximately 18 miles north of San Francisco, across the Golden Gate Bridge. The town of Ross is bordered by the unincorporated community of Kentfield to the south, the City of San Rafael to the east and the Town of San Anselmo to the north.

Population

The table below summarizes population of the Town and the County.

POPULATION
Town of Ross and Marin County

Year	Town of Ross	County of Marin
2004	2,352	250,840
2005	2,341	251,634
2006	2,355	252,963
2007	2,366	254,532
2008	2,386	256,640
2009	2,401	258,602
2010	2,422	260,651
2011	2,419	253,040
2012	2,429	253,374
2013	2,446	254,007
2014	2,461	255,846

Source: California Department of Finance, Demographic Research Unit.

Employment

The following table summarizes the annual average number of workers by industry in the County for the years 2008 to 2012:

MARIN COUNTY
Annual Average Wage and Salary Employment by Industry*
2008-2012

	2008	2009	2010	2011	2012(1)
Total, All Industries	109,300	102,400	101,000	102,300	105,200
Total Farm	500	500	500	400	400
Total Nonfarm					
Goods Producing	10,100	8,200	7,800	7,600	7,500
Manufacturing	2,100	2,000	2,000	1,900	2,000
Trade, Transportation & Utilities	18,200	16,500	17,000	16,900	17,400
Information	2,200	2,000	2,100	2,600	2,800
Financial Activities	8,200	7,500	6,900	7,000	7,100
Professional & Business Services	20,300	18,500	18,300	17,700	18,500
Educational & Health Services	16,100	16,900	16,200	16,400	17,200
Leisure & Hospitality	13,400	12,700	12,200	12,900	13,800
Other Services	4,900	4,700	5,000	4,800	5,000
Government	15,500	15,000	15,000	16,000	15,600

Source: California Employment Development Department, based on March 2013 benchmark.
(1) Last available full year data.
*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following tables summarize historical employment and unemployment for the County, the State of California and the United States:

MARIN COUNTY, CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2009-2013

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2009	Marin County	131,900	121,800	10,100	7.7%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Marin County	133,100	122,500	10,700	8.0%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Marin County	135,300	125,400	10,000	7.4%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Marin County	139,900	130,600	9,300	6.7%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Marin County	141,900	134,700	7,200	5.0%
	California	18,596,800	16,933,300	1,663,500	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4

Source: California Employment Development Department, based on March 2013 benchmark and US Department of Labor, Federal Bureau of Labor Statistics

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

The unemployment rate in the County has been historically significantly lower than the State and the United States.

Major Employers

The table below sets forth the principal employers of the County as of June 30, 2013.

MARIN COUNTY
2013 Major Employers

Employer	Employees
County of Marin	2,037
Kaiser Permanente Medical Center	1,756
San Quentin State Prison	1,690
Marin General Hospital	1,300
Autodesk, Inc.	1,000
BioMarin Pharmaceutical	850
Novato Unified School District	805
Fireman's Fund Insurance Co.	750
Lucasfilm Ltd.	400
Macy's	380

Source: County of Marin, California, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013; California Employment Development Department.

Construction Activity

The following tables reflects the five-year history of building permit valuation for the Town and the County:

TOWN OF ROSS
Building Permits and Valuation
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Permit Valuation:					
New Single-family	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	264.0	5,537.0	18,809.5	9,840.0	892.0
Total Residential	264.0	5,537.0	18,809.5	9,840.0	892.0
Total Nonresidential	121.0	2,535.7	2,250.4	852.0	50.0
Total All Building	$ 385.0	$ 8,072.7	$ 21,059.9	$ 10,692.0	$ 942.0
New Dwelling Units:					
Single Family	0	0	0	0	0
Multiple Family	0	0	0	0	0
Total	0	0	0	0	0

MARIN COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Permit Valuation:					
New Single-family	$ 86,684.3	$ 42,437.4	$ 59,252.4	$ 35,394.7	$ 36,152.7
New Multi-family	10,797.2	18,928.9	0.0	7,621.9	4,927.5
Res. Alterations/Additions	123,072.0	138,760.4	144,548.2	160,275.7	132,762.3
Total Residential	220,553.5	200,126.8	203,800.6	203,292.3	173,842.6
Total Nonresidential	202,481.5	115,500.6	93,279.5	82,031.4	118,071.5
Total All Building	$ 423,035.1	$ 315,627.4	$ 297,080.1	$ 285,323.7	$ 291,914.1
New Dwelling Units:					
Single Family	147	65	75	55	67
Multiple Family	25	97	0	61	50
Total	172	162	75	116	117

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to prior years.

TAXABLE SALES, 2008-2012
MARIN COUNTY
(dollars in thousands)

	2008
Retail Stores	
Apparel Stores	$ 201,820
General Merchandise	402,168
Food Stores	213,437
Eating and Drinking	442,979
Household Group	206,525
Building Material Group	277,548
Automotive Group	486,808
Service Stations	337,412
All Other Retail Stores	505,997
Retail Stores Totals	$ 3,074,694
Business & Personal Services	199,636
All Other Outlets	884,569
Total All Outlets(2)	$ 4,158,899

	2009 (1)	2010 (1)	2011 (1)	2012 (1)(3)
Retail and Food Services				
Motor Vehicles and Parts Dealers	$ 434,910	$ 485,061	$ 523,483	$ 610,028
Furniture and Home Furnishings Stores	106,960	109,379	117,090	118,307
Electronics and Appliance Stores	129,928	123,308	123,608	120,099
Bldg Mtrl. and Garden Equip. and Supplies	246,690	237,664	254,092	272,110
Food and Beverage Stores	246,161	259,294	266,823	277,873
Health and Personal Care Stores	109,301	114,342	121,051	122,472
Gasoline Stations	258,624	301,124	371,618	400,221
Clothing and Clothing Accessories Stores	243,655	263,834	280,098	305,000
Sporting Goods, Hobby, Book and Music Stores	128,490	131,892	138,838	137,827
General Merchandise Stores	361,529	265,063	273,199	281,325
Miscellaneous Store Retailers	157,795	175,970	182,054	184,154
Nonstore Retailers	26,001	25,596	26,884	41,692
Food Services and Drinking Places	418,831	422,951	455,433	486,787
Total Retail and Food Services	$ 2,768,875	$ 2,915,477	$ 3,134,270	$ 3,357,884
All Other Outlets	891,160	918,692	915,599	975,716
Totals All Outlets(2)	$ 3,660,036	$ 3,834,169	$ 4,049,869	$ 4,333,600

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Starting in 2009, categories were revised from prior years.
(2) Columns may not add to totals due to independent rounding.
(3) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the Town, the County, the State of California and the nation for the years 2008 through 2012.

TOWN OF ROSS, MARIN COUNTY, STATE AND UNITED STATES
Median Household Effective Buying Income

Area	2008	2009	2010	2011	2013
Town of Ross	$ 87,015	$ 89,659	$ 93,463	$ 92,813	$ 96,522
Marin County	68,816	71,591	68,688	68,667	69,129
California	49,736	49,736	47,177	47,062	47,307
United States	43,252	43,252	41,368	41,253	41,358

Source: Nielsen Claritas, Inc.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem *tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.*

District Budget

The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to section 42127.1 of the California Education Code. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District's Second Interim Report for fiscal year 2013-14, adopted March 20, 2014, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

The following table shows the District's audited actual general fund for fiscal years 2011-12 and 2012-13, and the District's adopted general fund budget for 2013-14. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND BUDGET
Ross Elementary School District
fiscal years 2011-12 to 2013-14

	fiscal year		
	2011-12 Actual	2012-13 Actual	2013-14 Second Interim
Revenues:			
Revenue limit sources (1)	$3,246,443	$3,434,578	$3,728,530
Federal sources	114,140	102,950	86,954
Other State sources	208,998	187,181	149,324
Other Local sources	2,176,482	2,317,574	2,152,647
Total revenues	$5,746,063	$6,042,283	$6,117,455
Expenditures:			
Certificated salaries	$2,606,896	$2,810,581	$3,010,002
Classified salaries	862,442	924,512	910,150
Employee benefits	848,562	954,651	1,016,957
Books & supplies	330,609	333,180	260,028
Contract services & operating expenditures	1,039,425	735,215	795,574
Other outgo	84,165	78,649	15,852
Total expenditures	$5,772,099	$5,836,788	$6,008,563
Excess (deficiency) of revenues over expenditures	$ (26,036)	$ 205,495	$ 108,892
Other financing sources (uses):			
Operating transfers in	$ (118,654)	$ 11,500	—
Operating transfers out	126,775	(122,000)	$ (135,868)
Total other financing sources (uses)	$ 8,121	$ (110,500)	$ (135,868)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(17,915)	94,995	(26,976)
Beginning Fund Balance	$1,951,497	$1,933,582	$2,028,577
Ending Fund Balance	$1,933,582	$2,028,577	$2,001,601

Source: Ross Elementary School District Audited Financial Statements and Second Interim Report.
(1) Revenue limit sources for fiscal years 2011-12 and 2012-13 and LCFF for fiscal year 2013-14.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2013, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 9 Lagunitas Road, Ross, CA 94957, California, 94957, telephone number (415) 457-2705 x212. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE
Ross Elementary School District
fiscal years 2008-09 to 2012-13

	2008-09(1)	2009-10(1)	2010-11(1)	2011-12(1)	2012-13(1)
REVENUES					
Revenue Limit Sources:					
Property Tax	$3,033,996	$ 3,126,014	$ 3,211,171	$ 3,246,443	$ 3,367,068
State Revenue	1,862	0	0	0	67,510
Total Revenue Limit Sources	3,035,858	3,126,014	3,211,171	3,246,443	3,434,578
Federal Revenues	100,726	101,796	161,298	114,140	102,950
Other State Revenues	373,287	277,598	244,637	208,998	187,181
Other Local Revenues	2,303,847	2,245,578	2,091,540	2,176,482	2,317,574
TOTAL REVENUES	5,813,718	$ 5,750,986	$ 5,708,646	$ 5,746,063	$ 6,042,283
EXPENDITURES					
Salaries:					
Certificated Salaries	$2,731,387	$ 2,814,329	$ 2,674,805	$ 2,606,896	$ 2,810,581
Classified Salaries	942,732	910,563	831,018	862,442	924,512
Employee Benefits	813,671	832,508	816,505	848,562	954,651
Books and Supplies	271,699	183,015	165,383	330,609	333,180
Services and Other Operating Expenditures	874,923	701,327	812,848	1,039,425	735,215
Other Expenditures	16,086	2,376	13,752	0	325
Capital Outlay	114,542	91,413	0	0	0
Debt Service:					
Principal	81,045	89,776	122,372	82,680	4,033
Interest and Other Charges	4,004	4,501	14,476	1,485	74,291
TOTAL EXPENDITURES	$5,850,089	$ 5,629,808	$ 5,551,056	$ 5,772,099	$ 5,836,788
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	106,439	100,000	35,000	0	11,500
Operating Transfers Out	(128,259)	(125,000)	(107,000)	(118,654)	(122,000)
Other Sources		91,413	99,897	126,775	0
TOTAL OTHER FINANCING SOURCES (USES)	(21,820)	$ 66,413	$ 27,897	$ 8,121	$ (110,500)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER)	(58,191)	$ 187,591	$ 185,487	$ (17,915)	$ 94,995
GENERAL FUND BALANCE JUNE 30 PRIOR YEAR	$1,611,482	$ 1,553,291	$ 1,766,010(3)	$ 1,951,497	$ 1,933,582
COMBINED FUND BALANCE JUNE 30	$1,553,291	$ 1,740,882	$ 1,951,497	$ 1,933,582	$ 2,028,577

Sources: Ross Elementary School District Audited Financial Statements and Second Interim Report.
(1) District audited financial statements.
(2) Based on District 2013/14 *Second Interim Report*.
(3) Adjusted in accordance with GASB No. 54.

District Revenues—LCFF/Basic Aid

As part of the 2013-14 State Budget, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (or "LCFF") discussed below. See "— State Funding of Education; State Budget Process—Local Control Funding Formula" below. The California Department of Education has not yet provided an update to the Standardized Accounting Code Structure (which all school districts in California use to account for their funds).

Under section 42238 *et seq.* of the California Education Code, prior to fiscal year 2013-14, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

The 2013-14 State Budget replaced the former K-12 finance system with the LCFF. The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. The 2013-14 State Budget provides an additional $2.1 billion of funding to school districts and charter schools to support the first-year implementation of the LCFF. Until full implementation, however, school districts will receive roughly the same amount of funding they received in 2012-13 plus an additional amount each year to bridge the gap between former funding levels and the new LCFF target levels. The 2013-14 State Budget projects the time frame for full implementation of the LCFF to be eight years. For more information on the LCFF, see "—State Funding of Education; State Budget Process—Local Control Funding Formula" below.

Funding of the District's local control funding is provided by a mix of local property taxes and State aid. Local control funding formula revenues comprised approximately 61% of the District's general fund revenues in 2013-14.

School districts that receive their LCFF income entirely from property taxes are called "basic aid" school districts. They are permitted to keep all their property tax money (even if it exceeds their LCFF). As guaranteed in the California Constitution, the State must apportion $120 per pupil. However, the categorical aid that school districts receive counts toward this requirement. The District is a basic aid district because its property tax revenue exceeds the LCFF entitlements.

Implementation of the LCFF

The California Department of Education (the "CDE") cannot immediately determine how much a school district is entitled to receive under the LCFF because funding is based on current year attendance data not known until the end of the fiscal year and because the CDE must reprogram its apportionment systems to reflect the new formula calculations.

However, because the greater part of a school district's funding is based on what the school received in fiscal year 2012-13, the CDE will apportion funds during the advance principal apportionment and first principal apportionment periods based on fiscal year 2012-13 funding, and according to the fiscal year 2012-13 model (not the LCFF), plus a portion of the $2.1 billion appropriated to begin implementation of the provisions of the LCFF. The CDE has indicated that the second principal apportionment will be based on the LCFF. The fiscal year 2013-14 budgetary information that follows, which discusses the District's revenues and expenditures, does so under the 2012-13 budget model, and does not reflect how funds will be apportioned once the LCFF is implemented.

Effect of Changes in Enrollment. Changes in local property tax income and student enrollment (or A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the District to make adjustments in fixed operating costs.

In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid received in the form of categorical aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a basic aid district.

For LCFF districts, any loss of local property taxes is made up by an increase in State equalization aid, until the base revenue limit is reached. For basic aid districts, the loss of tax revenues is not reimbursed by the State.

State funds for special (categorical) programs in fiscal year 2013-14 which include moneys received from the State lottery fund, have been reduced by the "fair share" reduction the District expects the State to impose on basic aid districts in fiscal year 2013-14. The District has budgeted a net amount of State categorical and lottery funds received to approximately $341,619 in fiscal year 2013-14. Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's total State lottery revenue is budgeted at $59,839, or approximately 1% of general fund revenue in fiscal year 2013-14.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Other Local Revenues

The District receives additional local revenues from items such as leases and rentals, special education support and other local sources. Other local sources comprised approximately 38.3% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 35.1% of such revenues in fiscal year 2013-14.

District voters have approved parcel taxes in 1989, 1994, 1999, and most recently in 2007, which expires in fiscal year 2014-15. In fiscal year 2012-13, the District collected $577,031 from the tax. In fiscal year 2013-14, the tax will be $748.60 per parcel and in fiscal year 2014-15 will be $771.09 per parcel. The District plans to place a new parcel tax on the November 2014 ballot.

The Ross School Foundation (the "RSF") is the primary non-profit organization that raises funds to benefit educational programs for District students. It enables parents and community members to donate financial support to the District on a tax-free basis. The RSF has historically contributed approximately $1,000,000 annually to the District's general fund.

The Ross School Endowment Fund (the "RSEF") consists of gifts held in perpetuity for the benefit of the District. The goal of the RSEF is to provide funds from its investment income to the District. In fiscal year 2013-14, the RSEF contributed $25,000 to the District's general fund and anticipates that it will contribute $35,000 in fiscal year 2014-15 and $50,000 in fiscal year 2015-16.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its 2013-14 budget, the District estimates that it will expend $4,937,109 in salaries and benefits, or approximately 82.1% of its general fund expenditures. This amount represents an increase of approximately 5.2% from the $4,689,744 the District expended in 2012-13.

Labor Relations. In fiscal year 2013-14, the District has budgeted for approximately 53 employees. Budgeted full-time-equivalent positions (FTEs) include 32.7 certificated (credentialed teaching) staff, 14 classified (non-teaching) staff, 3.8 management personnel and 2.5 confidential staff. There is one formal bargaining unit operating in the District which is described in the table below.

LABOR ORGANIZATION
Ross Elementary School District

Labor Organization	Contract Expiration
Ross School District Teachers Association	June 30, 2015

Source: Ross Elementary School District

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

California Public Employees' Retirement System (CalPERS)

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

Funding Policy. Active plan members are required to contribute 6% or 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 is 11.442% and for fiscal year 2014-15 will be 11.771%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were $99,608, $98,296, and $89,499, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (CalSTRS)

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

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $228,681, $198,693, and $208,249, respectively, and equal 100% of the required contributions for each year.

Social Security. As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, employees were required to contribute 4.2% of their gross earnings from July 2012 through December 2012, and 6.2% from January 2013 through June 2013.

On-Behalf Payments Made by the State of California. The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of $139,993 (5.1755% of creditable compensation subject to CalSTRS).

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Notes 14 and 15.

Early Retirement Incentive Program. In addition to benefits described in Notes 11 and 14 of the District's audited financial statement for fiscal year 2012-13, the District offered two early retirement incentive programs. In prior years, the District offered service credit for eligible certificated employees which increased by two years. In fiscal year 2012-13, the District offered its own one-time only retirement incentive to certificated employees who met the specific conditions that enabled them to participate in the program. The estimated future payments to provide these benefits are as follows:

EARLY RETIREMENT INCENTIVES
Ross Elementary School District

fiscal year Ending June 30	Early Retirement Incentives
2014	$ 33,589
2015	33,100
2016	12,111
Total	78,800
Less: Amount representing interest	(2,930)
Present Value of Net Minimum Lease Payments	$ 75,870

Source: Ross Elementary School District 2013 Audited Financial Statements

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note 10.

Other Post-Employment Benefits (OPEB)

From an accrual accounting perspective, the cost of post-employment healthcare benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

Plan Descriptions. The District provides medical, dental, vision, and life insurance coverage to certificated and classified employees who elect to retire after the age of 55 with at least 10 years of service in the District and are eligible for pension benefits from either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District and retirees share in the cost of benefits as follows:

Retirees hired prior to April 1, 1986, (Tier 1) receive 100% District paid health and welfare benefits for life up to the active employee benefit level. Retirees hired on or after April 1, 1986 and prior to June 30, 1999, (Tier 2) receive 100% District paid benefits up to the active benefit level up to age 65, and a 50% benefit reduction after age 65. Retirees hired after June 30, 1999, (Tier 3) receive 100% District paid benefits up to the active benefit level until age 65.

Retirees who do not qualify under the previous plan provisions, can possibly receive the CalPERS unequal employer monthly contribution and self-pay the remainder of the monthly premium.

The retiree is responsible for self-paying 100% of premiums in excess of the District contribution for his/her coverage and is responsible for self-paying 100% of all premiums for uncovered spouses or dependents of any age.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of July 1, 2012, the effective date of the triennial OPEB valuation is as follows: 45 Active employees, 21 Retired employees.

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

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of $147,856 for the year ended June 30, 2013.

ANNUAL OPEB COST AND NET OPEB OBLIGATION
Ross Elementary School District

Normal cost with interest to end of year	$ 105,100
Amortization of UAAL with interest to end of year	140,186
Annual required contribution (ARC)	245,286
Interest on Net OPEB Obligation	848
Adjustment to ARC	(1,227)
Annual OPEB cost (expense)	244,907
Contributions for the fiscal year	(118,263)
Increase in Net OPEB Obligation	126,644
Net OPEB Obligation – June 30, 2012	21,212
Net OPEB Obligation – June 30, 2013	$ 147,856

Source: Ross Elementary School District 2013 Audited Financial Statements

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

HISTORICAL NET OPEB OBLIGATION
Ross Elementary School District

fiscal year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2013	$ 244,907	48.3%	$ 147,856
June 30, 2012	126,200	94.5	21,212
June 30, 2011	118,000	103.3	14,259

Source: Ross Elementary School District 2013 Audited Financial Statements

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level dollar open period amortization. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial annual healthcare cost inflation rate of 8%, which declines to an ultimate annual rate of 5% by the 3rd year.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note 11.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by

State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Summary of District Revenues and Expenditures

See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2013, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 4% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2013-14, the District has budgeted an unrestricted general fund reserve of 32.41%, or approximately $1,935,000. Substantially all funds of the District are required by law to be deposited with and invested by the County Director of Finance on behalf of the District, pursuant to law and the investment policy of the County. See "MARIN COUNTY INVESTMENT POOL."

District Debt Structure

General Obligation Bonds. In June of 2006, the voters of the District authorized the issuance of $15,000,000 of general obligation bonds (the "2006 Authorization"). In August of 2006, the District issued the 2006 Bonds in the principal amount of $14,999,940.70 pursuant to the 2006 Authorization, which included current interest bonds and capital appreciation bonds. The capital appreciation bonds are not callable prior to maturity. The Bonds described herein refunded the outstanding current interest maturities.

In June of 2008, the voters of the District authorized the issuance of $6,750,000 of general obligation bonds (the "2008 Authorization"). In September of 2008, the District issued its $3,900,000 Ross Elementary School District General Obligation Bonds, Election of 2008, Series 2008, pursuant to the 2008 Authorization. In May of 2010, the District issued its $2,850,000 Ross Elementary School District (Marin County, California) General Obligation Bonds, Election of 2008, Series 2010 (Qualified School Construction Bonds), pursuant to the 2008 Authorization (the "2010 Bonds"). No additional bonds may be issued under the 2008 Authorization.

The following table shows the annual debt service obligations for all outstanding general obligation bonds of the District:

Period Ending	2006 Election (1)	2008 Election Series 2008	2008 Election Series 2010	The Bonds	Total
8/1/14	$ 612,323.75	$ 230,475.00	$ 132,911.41	$ 218,507.29	$ 1,194,217.45
8/1/15	420,000.00	247,725.00	142,228.06	379,752.50	1,189,705.56
8/1/16	470,000.00	263,975.00	154,333.82	378,352.50	1,266,661.32
8/1/17	520,000.00	265,175.00	183,473.42	376,952.50	1,345,600.92
8/1/18	590,000.00	200,175.00	281,536.57	380,552.50	1,452,264.07
8/1/19	625,000.00	213,175.00	306,725.18	379,052.50	1,523,952.68
8/1/20	695,000.00	225,700.00	199,828.88	377,552.50	1,498,081.38
8/1/21	765,000.00	237,550.00	217,859.31	381,052.50	1,601,461.81
8/1/22	820,000.00	253,725.00	233,391.67	379,452.50	1,686,569.17
8/1/23	910,000.00	274,000.00	246,509.75	377,852.50	1,808,362.25
8/1/24	975,000.00	288,150.00	267,244.63	381,052.50	1,911,447.13
8/1/25	1,050,000.00	306,550.00	285,376.75	379,140.00	2,021,066.75
8/1/26	—	323,850.00	205,057.85	1,386,590.00	1,915,497.85
8/1/27	—	345,050.00	195,383.33	1,457,790.00	1,998,223.33
8/1/28	—	369,470.00	—	1,539,390.00	1,908,860.00
8/1/29	—	392,280.00	—	1,630,790.00	2,023,070.00
8/1/30	—	413,480.00	—	1,721,240.00	2,134,720.00
8/1/31	—	442,400.00	—	1,697,640.00	2,140,040.00
8/1/32	—	479,160.00	—	—	479,160.00
8/1/33	—	508,280.00	—	—	508,280.00
TOTAL	$8,452,323.75	$6,280,345.00	$3,051,860.63	$13,822,712.29	$31,607,241.67

(1) Reflects the refunding of the Refunded 2006 Bonds. Includes February 1, 2014, debt service in the amount of $232,611.25 and debt service of the unrefunded 2006 Bonds.

Capital Leases. The District has entered into lease agreements to purchase computer equipment valued at $318,085. All of these agreements provide for title to pass upon expiration of the lease terms.

CAPITAL LEASES
Ross Elementary School District

fiscal year Ending June 30	Balance
2014	$ 43,509
Less: Amount representing interest	(1,263)
Present Value of Net Minimum Lease Payments	$ 42,246

Source: Ross Elementary School District 2013 Audited Financial Statements

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security.") Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 98, 111, 218 and 39, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's bonds approved at the 2006 and 2008 elections falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education.

The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2013-14, the District budgets to receive $55,946 in State Lottery aid at the time of the Second Interim Report, representing less than 1% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Trustees. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students. There are presently no charter schools within the District.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Kindergarten-University Public Education Facilities Bond Act of 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 ("Proposition 1D") appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorized the sale and issuance of $10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities ($7.3 billion) and higher education facilities ($3.1 billion). Proposition 1D makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts are required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes $1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts are required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of $1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See

"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26 and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is expected to be met from local property taxes alone, the District did not budget receipt of any general operating funds from the State in fiscal year 2013-14. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect District operations, though generally to a lesser extent than these may affect most school districts.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2013-14 Budget on June 27, 2013.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

2013-14 State Budget. The Governor signed the fiscal year 2013-14 State budget (the "2013-14 State Budget") on June 27, 2013. The 2013-14 State Budget represents a multiyear plan that maintains a $1.1 billion reserve and pays down certain budgetary debt. The 2013-14 State Budget provides for $97.1 billion in revenues and transfers for fiscal year 2013-14 (down slightly from the $98.2 billion estimated for fiscal year 2012-13), and $96.3 billion in total expenditures for fiscal year 2013-14 (up slightly from the $95.7 billion estimates for fiscal year 201213). However, unlike recent years, the State entered fiscal year 2013-14 with a positive prior year general fund balance, approximately $872 million, as compared to a negative general fund balance of $1.7 billion at the start of fiscal year 2012-13. The 2013-14 State Budget, accordingly, was able to set aside a $1.1 billion reserve in a special fund for economic uncertainties.

The 2013-14 State Budget projects that budgetary debt, which was approximately $35 billion at the end of fiscal year 2010-11 and $27 billion at the end of fiscal year 2012-13, will be reduced to less than $5 billion by the end of fiscal year 2016-17. Although the 2013-14 State Budget is a balanced budget, the 2013-14 State Budget notes that substantial risks, uncertainties and liabilities remain, including the pace of the economic recovery, the State's needs to address its other significant liabilities and the federal budget for federal fiscal year 2014.

With the passage of Proposition 30 in November 2012, The Schools and Local Public Safety Protection Act (the "Temporary Tax Measure"), the 2013-14 State Budget reinvests in, rather than cuts, education funding. The Temporary Tax Measure increased the personal income tax rates on the State's highest income taxpayers by up to three percent for a period of seven years beginning with the 2012 tax year, and increased the sales tax by one-quarter percent for a period of four years beginning on January 1, 2013.

For kindergarten through twelfth grade ("K-12") education, the 2013-14 State Budget provides $55.3 billion (or $8,220 per student) in Proposition 98 funding in fiscal year 2013-14, which is slightly lower than the $56.5 billion estimated in fiscal year 2012-13 but an increase of more than $8 billion (or $1,045 per student) from fiscal year 2011-12 levels. The 2013-14 State Budget projects $67.1 billion (or $10,010 per student) in Proposition 98 funding in fiscal year 2016-17. Total funding under the 2013-14 State Budget for all K-12 education in fiscal year 2013-14 is approximately $70 billion.

The 2013-14 State Budget also contains provisions relating to the LCFF, designed to increase local control and flexibility, reduce State bureaucracy and better allocate resources based on student needs. The LCFF replaces the existing revenue limit funding system and most categorical programs. See "District Revenues—LCFF/Basic Aid" herein for more information.

Certain budget adjustments for K-12 programs include the following:

- *LCFF*. An increase of $2.1 billion in Proposition 98 general funds for school districts and charter schools, and $32 million in Proposition 98 general funds for county offices of education, to support first-year funding provided through the LCFF.

- *Common Core Implementation*. An increase of $1.25 billion in one-time Proposition 98 general funds to support the implementation of the Common Core, which are new standards for evaluating student achievement in English-language arts and mathematics. Such funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials and technology. Local education agencies will be required to develop a plan to spend this money over the next two years and to hold a public hearing on such plan.

- *Career Technical Education Pathways Grant Program*. An increase of $250 million in Proposition 98 general funds for one-time competitive capacity-building grants for K-12 school districts and community colleges to support programs focused on work-based learning. K-12 schools and community colleges must obtain funding commitments from program partners to support ongoing program costs.

- *K-12 Mandates Block Grant*. An increase of $50 million in Proposition 98 general funds to reflect the inclusion of the Graduation Requirements mandate within the block grant program. This increase will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.

- *K-12 Deferrals*. An increase of $1.6 billion in Proposition 98 general funds in fiscal year 2012-13 and an increase of $242.3 million in Proposition 98 general funds in fiscal year 2013-14 for the repayment of inter-year budgetary deferrals. When combined, total funding over such two-years will reduce K-12 inter-year deferrals to $5.6 billion by the end of fiscal year 2013-14.

- *Special Education Funding Reform*. The 2013-14 State Budget includes several consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

With respect to the implementation of Proposition 39 (The California Clean Energy Jobs Act), which was approved at the November 6, 2012 election, the 2013-14 State Budget allocates $381 million in Proposition 98 general funds to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85% will be distributed based on A.D.A. and 15% will be distributed based on free and reduced-price meal eligibility. The 2013-14 State Budget establishes minimum grant levels of $15,000 and $50,000 for small and exceptionally small local education agencies and allows these agencies to receive an advance on a future grant allocation. Other local education agencies would receive the greater of $100,000 or their weighted distribution amount. The

2013-14 State Budget also provides $28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges.

On May 13, 2014, Governor Edmund G. Brown Jr. released a revised 2014-15 State budget (the "May Revision"). The May Revision is the final statutory opportunity for Governor Brown to recast his proposals in light of the latest economic data. For the budget year (2014-15), the May Revision sets aside $1.6 billion to make the final payment on the State's Economic Recovery Bonds and another $1.6 billion for a "rainy day" fund.

The May Revision provides an additional $142 million ($121 million General Fund) in drought-related expenditures to reflect necessary spending on firefighting, emergency response, water management, wildlife preservation and food assistance.

The Governor's January Budget proposes to reduce the State's debt by more than $11 billion this year alone and fully eliminate it by 2017-18. The Budget will completely pay off all remaining deferrals to schools and the Economic Recovery Bonds this year. The May Revision includes an additional $100 million to repay a portion of existing mandate reimbursement claims that have been owed to local governments since at least 2004.

The following points relate primarily to the education budget:

- A CalSTRS funding reform proposal, which will be funded by school districts, CalSTRS members, and the state. First year costs: $450 million, growing to more than $5 billion at full implementation. Employer CalSTRS rates begin to increase July 1, 2014.

- A net increase of $242 million in Proposition 98 General Fund over the three-year period of 2012-13 to 2014-15 for K-12 and California Community Colleges due to changes in state General Fund revenue.

- A net increase of $742.2 million in one-time Proposition 98 General Fund to accelerate the repayment of deferrals, which is offset by a $742.2 million reduction in ongoing Proposition 98 General Fund that was proposed for 2014-15.

- A $103.1 million increase in 2013-14, and a $121.1 million increase in 2014-15 for local educational agencies (LEAs) as a result of projected increases in average daily attendance.

- A $26.7 million one-time increase for technical assistance and grants to LEAs to address the technology requirements for successful implementation of the Common Core.

- A $2.4 billion multiyear expansion in Medi-Cal that will result in coverage of about 30% of the state's population.

- A Rainy Day Fund amount that sets aside nearly $1.9 billion in General Fund in 2015-16, and $2 billion each year thereafter that will be split between debt repayment and building a Rainy Day reserve.

The complete 2013-14 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this interest address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LCFF. The LCFF replaces the existing revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base funding grant ("Base Grant") per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth, beginning in fiscal year 2013-14. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

A Base Grant for each local education agency, equivalent to $7,643 per unit of A.D.A. in fiscal year 2013-14. Such Base Grant per unit of A.D.A., adjusted by grade span variation and to be adjusted annually for cost-of-living (1.565% in fiscal year 2013-14), is as follows: $6,845 for grades K-3, $6,947 for grades 4-6, $7,154 for grades 7-8 and $8,289 for grades 9-12 (the "Target Base Grant"). This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50.0% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families, and foster youth served by the local agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Target Base Grant or the ERT.

Of the more than $25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for basic aid districts (as further described herein), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, basic aid districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

All school districts, county offices of education and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement and school climate. Such local control and accountability plans are to be developed in accordance with a template to be provided by the State Board of Education. County superintendents will review and provide support to the school districts under their jurisdiction, while the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition the 2013-14 State Budget creates the California Collaborative for

Education Excellence (the "Collaborative") to advise and assist local education agencies in achieving the goals identified in their plans. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction would have authority to make changes to a local education agency's plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is persistent and acute as to warrant revocation.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, and allowed the Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation was enacted for fiscal year 2011-12. The legislation, however, sets forth a specific deferral plan for K-12 education payments. In the legislation, the July 2011 and August 2011 K-12 payments of $1.4 billion and the October 2011 payment of $2.4 billion were deferred. In September 2011, $700 million of the July deferral was paid, in January 2012, $4.5 billion from the remaining July, August and October deferrals was paid, and in March 2012, $1.4 billion was deferred and paid in April 2012.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provided for $1.2 billion of K 12 payments to be deferred in July 2012, $600 million to be deferred in August 2012, $800 million to be deferred in October 2012 and $900 million to be deferred in March 2013. Of such deferred amounts, $700 million of the deferral made in July 2012 was paid in September 2012, the remaining $1.9 billion deferred in July, August and October of 2012 was paid in January 2013, and the $900 million deferred in March 2013 was repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2012-13 and in future years. In future fiscal years, if the District finds that its other funds are insufficient to cover any cash flow deficits, the District is authorized to borrow funds from the County.

The District cannot predict when, if, and to what extent the State may defer some or all of those payments due to school districts during the 2013-14 fiscal year.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2013-14 and in future fiscal years. Continued State budget shortfalls in fiscal year 2013-14 and future fiscal years could have a material adverse financial impact on the District. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property within the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al*. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2006 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes $7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder's fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

ROSS SCHOOL DISTRICT
COUNTY OF MARIN
ROSS, CALIFORNIA

AUDIT REPORT

JUNE 30, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

ROSS SCHOOL DISTRICT

JUNE 30, 2013

TABLE OF CONTENTS

TABLE OF CONTENTS (CONCLUDED)

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Ross School District
Ross, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

<u>Opinions</u>

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ross School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

<u>Other Matters</u>

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 51, and schedule of funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ross School District's basic financial statements. The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining fund financial statements and supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the Ross School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 2, 2013

This section of Ross School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 21, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status weakened during the course of the year, as total net position decreased 3.8%. (Much of the decline was directly related to the current year recognition of $765,702 of depreciation expense, which is a non-cash expense that reflects that the District's capital assets are now one year older and considered less valuable from an accounting standpoint.)

- On the Statement of Activities, total current year expenses exceeded total current year revenues by $549,353.

- Capital assets, net of depreciation, increased $436,991, due to the current year addition of $1,202,693 of new capital assets and improvements, and the current year recognition of $765,702 of depreciation expense.

- Total long-term liabilities increased $58,020, due primarily to an increase in the District's obligation to provide other postemployment benefits.

- The District's P-2 ADA increased from 333 ADA in fiscal year 2011-12, up to 338 ADA in fiscal year 2012-13, an increase of 1.5%.

- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded total current year revenues and other financing sources by $915,968.

- The District's General Fund produced an operating surplus of $94,995 during fiscal year 2012-13, and reported a $112,755 increase in its available reserves.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2012-13, General Fund expenditures and other financing uses totaled $5,958,788. At June 30, 2013, the District has available reserves of $1,948,421 in the General Fund, which represents a reserve of 32.7%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

    - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statement.

    - Financial relationships, for which the District acts as an agent for the benefit of others to whom the resources belong, are presented in the fiduciary funds statement.

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

Reporting the District as a Whole

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

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

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from $14,508,294 at June 30, 2012, down to $13,958,941 at June 30, 2013, a decrease of 3.8%.

Comparative Statement of Net Position

	Governmental Activities 2012	Governmental Activities 2013
Assets		
Deposits and Investments	$ 4,532,981	$ 3,419,413
Receivables	256,557	298,861
Prepaid Expenses	361,124	348,809
Capital Assets, net	32,695,319	33,132,310
Total Assets	37,845,981	37,199,393
Liabilities		
Current	992,639	903,042
Long-Term	22,345,048	22,337,410
Total Liabilities	23,337,687	23,240,452
Net Assets		
Invested in Capital Assets - Net of Related Debt	13,065,196	12,407,703
Restricted for Capital Projects	185,923	367,025
Restricted for Debt Service	(669,935)	(704,569)
Restricted for Educational Programs	87,629	69,857
Restricted for Other Purposes	1,250	8,750
Unrestricted	1,838,231	1,810,175
Total Net Position	$ 14,508,294	$ 13,958,941

Table includes financial data of the combined governmental funds and proprietary fund

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

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by $549,353.

Comparative Statement of Changes in Net Position

	Governmental Activities 2012	Governmental Activities 2013
Program Revenues		
Operating Grants & Contributions	$ 506,470	$ 597,812
General Revenues		
Taxes Levied	4,888,973	5,106,561
Federal & State Aid	189,615	231,698
Interest & Investment Earnings	13,624	4,072
Miscellaneous	1,235,676	1,268,480
Total Revenues	6,834,358	7,208,623
Expenses		
Instruction	3,758,767	4,082,912
Instruction-Related Services	1,033,322	782,176
Pupil Services	439,416	412,450
General Administration	901,492	1,103,684
Plant Services	554,146	392,145
Ancillary Services	11,709	11,201
Enterprise Activities	19,507	21,188
Interest on Long-Term Debt	946,500	932,080
Other Outgo	5,883	20,140
Total Expenses	7,670,742	7,757,976
Change in Net Position	$ (836,384)	$ (549,353)

Table includes financial data of the combined governmental funds and proprietary fund

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

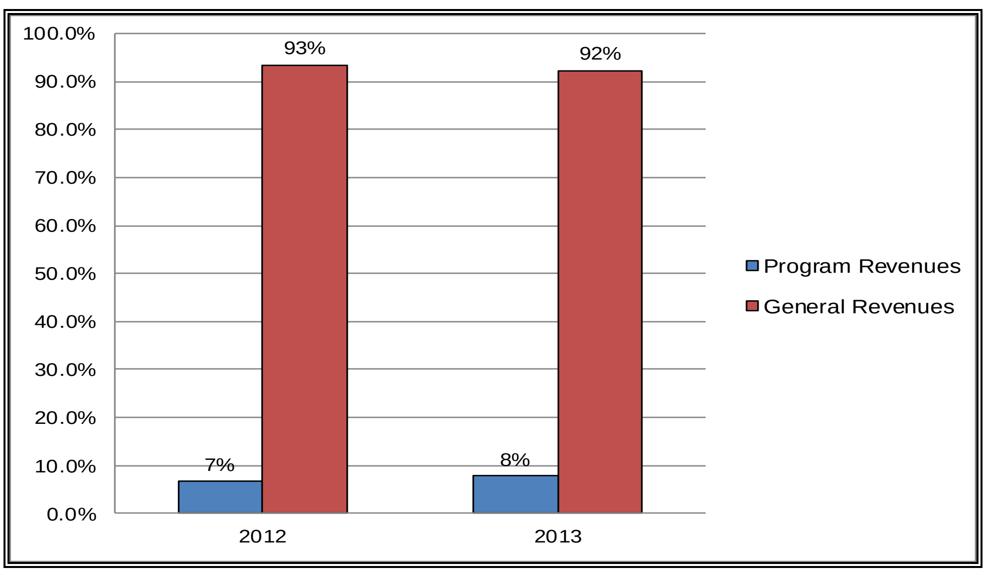
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Instruction	$ 3,758,767	$ 4,082,912	$ 3,369,812	$ 3,643,187
Instruction-Related Services	1,033,322	782,176	974,009	688,296
Pupil Services	439,416	412,450	389,621	360,176
General Administration	901,492	1,103,684	901,141	1,103,159
Plant Services	554,146	392,145	554,146	392,145
Ancillary Services	11,709	11,201	8,716	7,542
Enterprise Activities	19,507	21,188	14,444	14,266
Interest on Long-Term Debt	946,500	932,080	946,500	932,080
Other Outgo	5,883	20,140	5,883	19,313
Totals	$ 7,670,742	$ 7,757,976	$ 7,164,272	$ 7,160,164

Table includes financial data of the combined governmental funds and proprietary fund

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $7,160,164 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 8% of the total cost of providing the services listed above, while the remaining 92% was financed by the general revenues of the District.

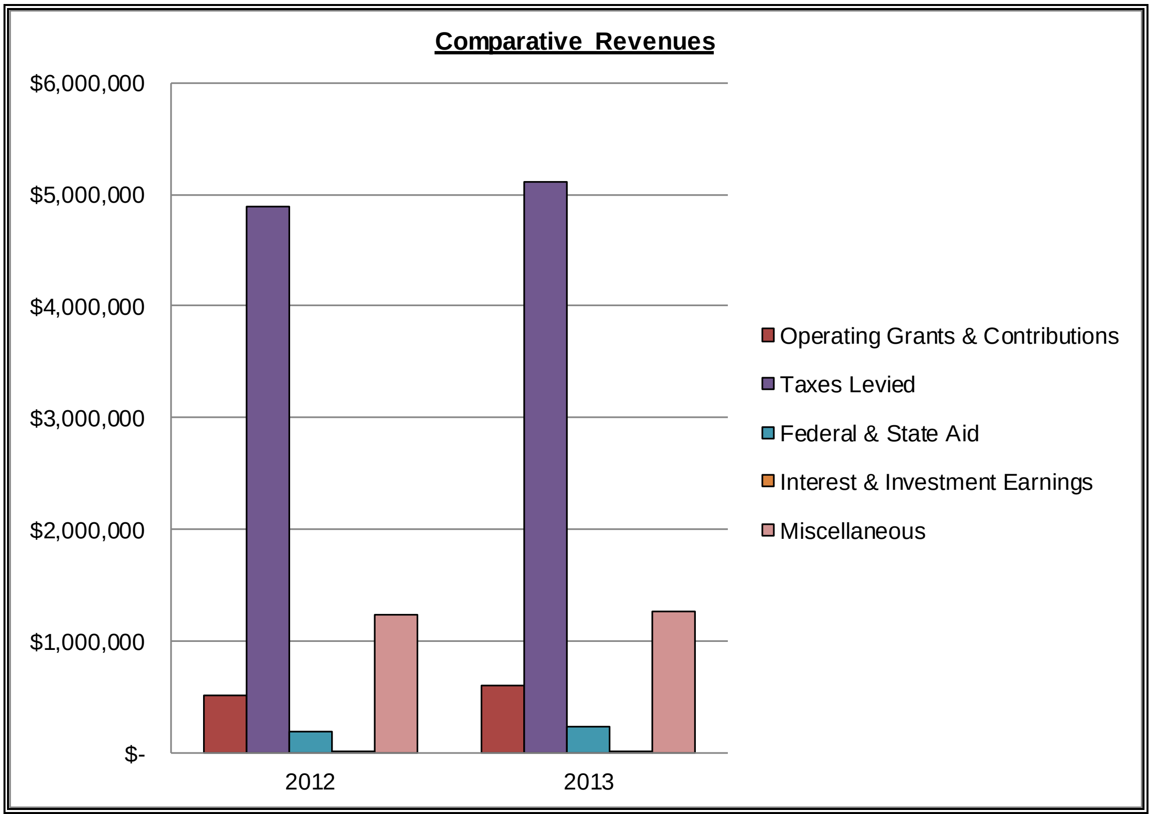
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
Program Revenues				
Operating Grants & Contributions	$ 506,470	7.41%	$ 597,812	8.29%
General Revenues				
Taxes Levied	4,888,973	71.54%	5,106,561	70.84%
Federal & State Aid	189,615	2.77%	231,698	3.21%
Interest & Investment Earnings	13,624	0.20%	4,072	0.06%
Miscellaneous	1,235,676	18.08%	1,268,480	17.60%
Total Revenues	$ 6,834,358	100.00%	$ 7,208,623	100.00%

Table includes financial data of the combined governmental funds and proprietary fund



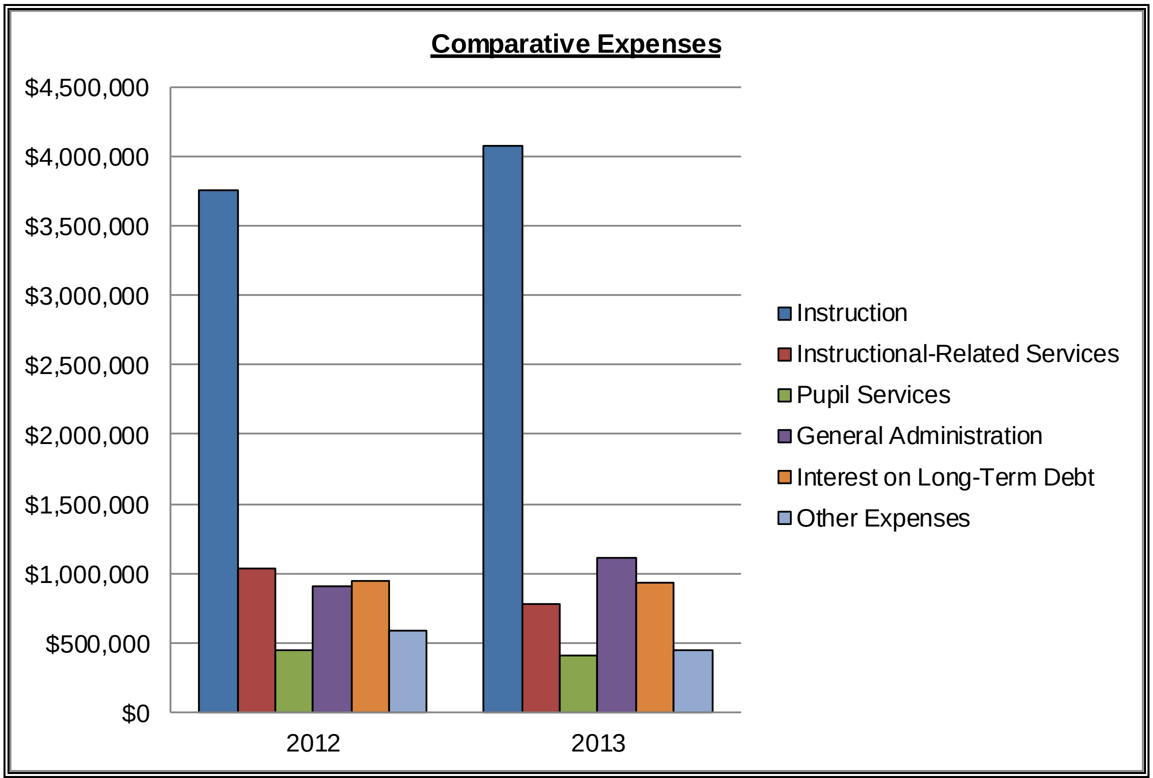
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
Expenses				
Instruction	$ 3,758,767	49.00%	$ 4,082,912	52.63%
Instruction-Related Services	1,033,322	13.47%	782,176	10.08%
Pupil Services	439,416	5.73%	412,450	5.32%
General Administration	901,492	11.75%	1,103,684	14.23%
Interest on Long-Term Debt	946,500	12.34%	932,080	12.01%
Other Expenses	591,245	7.71%	444,674	5.73%
Total Expenses	$ 7,670,742	100.00%	$ 7,757,976	100.00%

Table includes financial data of the combined governmental funds and proprietary fund



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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities 2012	Governmental Activities 2013
Land	$ 206,174	$ 206,174
Sites and Improvements	81,301	81,301
Buildings and Improvements	36,302,174	37,796,362
Furniture and Equipment	307,406	307,406
Work-in-Progress	291,495	0
Subtotals	37,188,550	38,391,243
Less: Accumulated Depreciation	(4,493,231)	(5,258,933)
Capital Assets, net	$ 32,695,319	$ 33,132,310

Capital assets, net of depreciation, increased $436,991, due to the current year addition of $1,202,693 of new capital assets and improvements, and the current year recognition of $765,702 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities 2012	Governmental Activities 2013
Compensated Absences	$ 31,025	$ 33,227
Qualified School Construction Bonds	2,850,000	2,850,000
General Obligation Bonds	19,666,151	19,640,240
Capital Leases	116,537	42,246
Early Retirement Incentives	46,494	75,870
Other Post Employment Benefits	21,212	147,856
Totals	$ 22,731,419	$ 22,789,439

Total long-term liabilities increased $58,020, due primarily to an increase in the District's obligation to provide other postemployment benefits.

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The qualified school construction bonds and general obligation bonds are financed by local taxpayers and represent 99% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues.

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

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2012	Fund Balances June 30, 2013	Increase (Decrease)
General	$ 1,933,582	$ 2,028,577	$ 94,995
Bond Interest & Redemption	621,207	721,973	100,766
Measure B - Building	1,418,413	374,513	(1,043,900)
QSCB Debt Service	212,370	316,839	104,469
Measure A - QSCB Building	172,096	21	(172,075)
County School Facilities	12	12	0
Capital Projects - Special Reserve	13,815	13,592	(223)
Totals	$ 4,371,495	$ 3,455,527	$ (915,968)

The fund balance of the General Fund increased $94,995, while the combined fund balances of all other governmental funds decreased $1,010,963. The significant decrease in the combined fund balance total was due primarily to the current year spending down of Measure B proceeds that were received in prior years.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2013-14 Budget Act and related trailer bills manifests many significant improvements and overdue changes to California Schools funding system. We recognize that these are extraordinary economic times and though the implementation of the new Local Control Funding Formula (LCFF) brings positive changes to most districts, there is still much uncertainty. It is currently very difficult to gauge the future with an eight-year phase-in for full implementation of LCFF and complete details have yet to be released regarding the new funding and accountability requirements. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Business Manager at Ross School District at (415) 457-2705.

BASIC FINANCIAL STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government	Component Unit
	Governmental Activities	Foundation
Assets		
Deposits and Investments (Note 2)	$ 3,419,413	$ 1,443,694
Receivables (Note 4)	298,861	
Prepaid Expenses (Note 1J)	348,809	
Capital Assets: (Note 6)		
Land	206,174	
Sites and Improvements	81,301	
Buildings and Improvements	37,796,362	
Furniture and Equipment	307,406	
Less: Accumulated Depreciation	(5,258,933)	
Total Assets	37,199,393	1,443,694
Liabilities		
Accounts Payable and Other Current Liabilities	451,013	21,188
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	33,227	
General Obligation Bonds		
Current Interest	330,000	
Unamortized Bond Premium	14,432	
Capital Leases (Note 9)	42,246	
Early Retirement Incentives	32,124	
Portion Due or Payable After One Year:		
Qualified School Construction Bonds (Note 7)	2,850,000	
General Obligation Bonds (Note 8)		
Current Interest	13,580,000	
Capital Appreciation	5,466,490	
Unamortized Bond Premium	249,318	
Early Retirement Incentives (Note 10)	43,746	
Other Post Employment Benefits (Note 11)	147,856	
Total Liabilities	23,240,452	21,188
Net Position		
Investment in Capital Assets, Net of Related Debt	12,407,703	
Restricted:		
For Capital Projects	367,025	
For Debt Service	(704,569)	
For Educational Programs	69,857	
For Other Purposes	8,750	1,422,506
Unrestricted	1,810,175	
Total Net Position	$ 13,958,941	$ 1,422,506

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		Program Revenues	Net (Expense) Revenue and Changes in Net Position	
		Operating Grants and Contributions	Primary Government	Component Unit
Functions	**Expenses**		**Governmental Activities**	**Foundation**
Governmental Activities				
Instruction	$ 4,082,912	$ 439,725	$ (3,643,187)	
Instruction-Related Services:				
Supervision of Instruction	19,423	15,118	(4,305)	
Instructional Library and Technology	396,373	78,762	(317,611)	
School Site Administration	366,380		(366,380)	
Pupil Services:				
Food Services	2,208	2,660	452	
Other Pupil Services	410,242	49,614	(360,628)	
General Administration:				
Data Processing Services	17,225		(17,225)	
Other General Administration	1,086,459	525	(1,085,934)	
Plant Services	392,145		(392,145)	
Ancillary Services	11,201	3,659	(7,542)	
Enterprise Activities	21,188	6,922	(14,266)	
Interest on Long-Term Debt	932,080		(932,080)	
Other Outgo	20,140	827	(19,313)	
Total Governmental Activities	$ 7,757,976	$ 597,812	(7,160,164)	
Component Unit				
Foundation	$ 1,127,569			$ (1,127,569)
General Revenues				
Taxes Levied for General Purposes			3,367,068	
Taxes Levied for Debt Service			1,162,192	
Taxes Levied for Specific Purposes			577,301	
Federal and State Aid - Unrestricted			231,698	
Grants and Contributions - Unrestricted				1,089,375
Interest and Investment Earnings			4,072	2,491
Miscellaneous			1,268,480	
Total General Revenues			6,610,811	1,091,866
Special Item				
Transfer from Ross School Endowment				851,156
Transfer to Marin Community Foundation				(851,156)
Change in Net Position			(549,353)	(35,703)
Net Position - July 1, 2012			14,508,294	1,458,209
Net Position - June 30, 2013			$ 13,958,941	$ 1,422,506

ROSS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Bond Interest and Redemption	Measure - B Building	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 1,986,449	$ 721,973	$ 388,930	$ 225,995	$ 3,323,347
Receivables (Note 4)	194,392			104,469	298,861
Prepaid Expenditures (Note 1J)			7,500		7,500
Total Assets	$ 2,180,841	$ 721,973	$ 396,430	$ 330,464	$ 3,629,708
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 152,264		$ 21,917		$ 174,181
Total Liabilities	152,264		21,917		174,181
Fund Balances: (Note 13)					
Nonspendable	1,250		7,500		8,750
Restricted	69,857	$ 721,973	367,013	$ 316,872	1,475,715
Assigned	9,049			13,592	22,641
Unassigned	1,948,421				1,948,421
Total Fund Balances	2,028,577	721,973	374,513	330,464	3,455,527
Total Liabilities and Fund Balances	$ 2,180,841	$ 721,973	$ 396,430	$ 330,464	$ 3,629,708

ROSS SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds		$ 3,455,527
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:		
Capital Assets	$ 38,391,243	
Accumulated Depreciation	(5,258,933)	
		33,132,310
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. The net position of the internal service fund is:		96,066
Unamortized costs: In the governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenditures, at year-end consist of:		
Deferred Charges - Costs of Issuance		341,309
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Compensated Absences	$ 33,227	
Qualified School Construction Bonds	2,850,000	
General Obligation Bonds:		
Current Interest	13,910,000	
Capital Application	5,466,490	
Bond Premium	263,750	
Capital Leases	42,246	
Early Retirement Incentives	75,870	
Other Post Employment Benefits	147,856	
		(22,789,439)
In governmental funds, the unmatured interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(276,832)
Total Net Position - Governmental Activities		$ 13,958,941

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Bond Interest and Redemption	Measure - B Building	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Revenue Limit Sources:					
State Apportionment	$ 67,510				$ 67,510
Local Taxes	3,367,068				3,367,068
Total Revenue Limit Sources	3,434,578				3,434,578
Federal Revenue	102,950			$ 1,955	104,905
State Revenue	187,181	$ 3,176			190,357
Local Revenue	2,317,574	1,159,669	$ 1,278	192	3,478,713
Total Revenues	6,042,283	1,162,845	1,278	2,147	7,208,553
Expenditures					
Instruction	3,462,883				3,462,883
Supervision of Instruction	17,227				17,227
Instructional Library and Technology	351,565				351,565
School Site Administration	324,962				324,962
Food Services	2,208				2,208
Other Pupil Services	363,866				363,866
Data Processing Services	15,278				15,278
Other General Administration	845,376				845,376
Plant Services	342,385		5,432		347,817
Facilities Acquisition and Construction			1,028,246	174,445	1,202,691
Ancillary Services	11,201				11,201
Enterprise Activities	21,188				21,188
Debt Service:					
Principal Retirement	74,291	255,000			329,291
Interest and Issuance Costs	4,033	665,560		37,050	706,643
Other Outgo	325				325
Total Expenditures	5,836,788	920,560	1,033,678	211,495	8,002,521
Excess of Revenues Over (Under) Expenditures	205,495	242,285	(1,032,400)	(209,348)	(793,968)
Other Financing Sources (Uses)					
Operating Transfers In	11,500			143,725	155,225
Operating Transfers Out	(122,000)	(141,519)	(11,500)	(2,206)	(277,225)
Total Other Financing Sources (Uses)	(110,500)	(141,519)	(11,500)	141,519	(122,000)
Net Change in Fund Balances	94,995	100,766	(1,043,900)	(67,829)	(915,968)
Fund Balances - July 1, 2012	1,933,582	621,207	1,418,413	398,293	4,371,495
Fund Balances - June 30, 2013	$ 2,028,577	$ 721,973	$ 374,513	$ 330,464	$ 3,455,527

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Governmental Funds		$ (915,968)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year.		
Capital Outlays	$ 1,202,693	
Depreciation Expense	(765,702)	
		436,991
In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts earned exceeded amounts used by:		(2,202)
Other Post Employment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(126,644)
Early Retirement Incentives: In governmental funds, early retirement incentives are measured by the amounts paid during the period. In the statement of activities, early retirement incentives are measured by the amounts earned. The difference between early retirement incentives paid and early retirement incentives earned was:		(29,376)
Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, issue costs are amortized over the life of the debt. The issuance costs amortized for the period were:		
Cost of Issuance		(19,815)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General Obligation Bonds:		
Current Interest	$ 255,000	
Bond Premium	14,432	
Capital Leases	74,291	
		343,723
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities decreased by:		3,652
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was:		(243,521)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, internal service activities are reported as governmental in the statement of activities. The current year increase in the net position of internal service fund was:		3,807
Change in Net Position of Governmental Activities		$ (549,353)

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	Governmental Activities Internal Service Fund
Assets	
Deposits and Investments (Note 2)	$ 96,066
Total Assets	96,066
Net Position	
Restricted	96,066
Total Net Position	$ 96,066

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities
	Internal Service Fund
Operating Expenses	
Contract Services	$ 118,263
Operating (Loss)	(118,263)
Non-Operating Revenues	
Interest Income	70
Transfer In	122,000
Total Non-Operating Revenues	122,070
Change in Net Assets	3,807
Net Position - July 1, 2012	92,259
Net Position - June 30, 2013	$ 96,066

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities Internal Service Fund
Cash Flows used by Operating Activities:	
Cash Paid for Contracted Services	$ (118,263)
Cash Flows From Noncapital Financing Activities:	
Transfer In from Other Fund	122,000
Cash Flows From Investing Activities:	
Interest Income	70
Net Increase in Deposits and Investments	3,807
Deposits and Investments Balance - July 1, 2012	92,259
Deposits and Investments Balance - June 30, 2013	$ 96,066
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	$ (118,263)

ROSS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds	Total Fiduciary Funds
Assets		
Deposits and Investments (Note 2)	$ 5,124	$ 5,124
Total Assets	5,124	5,124
Liabilities		
Due to Student Groups	5,124	5,124
Total Liabilities	5,124	5,124
Net Position		
Restricted	0	0
Total Net Position	$ 0	$ 0

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Ross School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Governing Board elected by registered voters of the District, which comprises an area in Marin County. The District was established in 1891 and serves students in kindergarten through grade eight.

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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and *(a)* it is able to impose its will on that organization or *(b)* there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has *(a)* a separately elected governing board, *(b)* a governing board appointed by a higher level of government, or *(c)* a jointly appointed board. The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that the Ross School Foundation (the Foundation) meets the criteria set forth in GASB 39. Another potential component unit, the Ross School Endowment, was evaluated and did not meet the criteria for inclusion.

Component Unit:

The Foundation was established as a legally separate non-profit entity to support the District and its students through fundraising activities. In addition, funds contributed by the Foundation to the District and its students are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit is required to be discretely presented in the District's annual financial statements.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements

In June of 2011, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 63 (GASB 63) *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* with required implementation for the District during the year ended June 30, 2013. The objective of GASB 63 is to identify net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance as a result of implementing GASB 63.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units.

The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for Other Post Employment Benefit (OPEB) premiums. The principal expenses of the internal service fund are payments to OPEB insurance vendors. Non-operating revenues of the internal service fund generally consist of interest income earned within the internal service fund, and direct transfers made from other District funds.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

Deferred Revenue:

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

Expenses/Expenditures:

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

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

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

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

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

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

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

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Bond Interest and Redemption Fund is used to account for the accumulation of resources for the repayment of District bonds, interest, and related costs.

Measure B - Building Fund is used to account for the acquisition of major governmental capital facilities and buildings financed by the sale of bonds authorized by Measure B.

Non-major Governmental Funds:

QSCB Debt Service Fund is used to account for the accumulation of resources set aside for future retirement of the outstanding qualified school construction bonds.

Measure A - QSCB Building Fund is used to account for the acquisition of major governmental capital facilities and buildings financed by the sale of qualified school construction bonds authorized by Measure A.

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

Capital Projects - Special Reserve Fund is used to account for various maintenance and capital outlay projects and AB87 funding.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost reimbursement basis within the District. The District maintains one internal service fund, the Self Insurance Fund, which is used to accumulate resources to pay for the current and future costs of providing retiree benefits.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintain a student body fund, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body, and a graduation fund, which is used to account for parent donations for the student body graduation party.

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 Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 51.

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

G. Use of Estimates

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

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 at June 30.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

J. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

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

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

2. Prepaid Expenses / Expenditures

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

Prepaid expenses include the costs of issuance associated with the general obligation bonds issued since the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34). These costs will be amortized annually over the life of the obligation.

Reported prepaid expenses are equally offset by a net position reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

3. Capital Assets

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

Asset Class	Years
Sites and Improvements	20
Buildings and Improvements	50
Furniture and Equipment	5-10

4. Deferred Revenue

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

5. Compensated Absences

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

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

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

7. Revenue Limit/Property Tax

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

The County of Marin is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 15, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

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

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

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement. Since the total computed entitlement is generally less than the allocated property tax revenues, the District continues to be funded under the basic aid provision.

8. Fund Balance Classification

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Liabilities and Equity (Concluded)

8. Fund Balance Classification (Concluded)

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

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

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to work towards maintaining a Reserve for Economic Uncertainties of at least 40% of the General Fund's annual total expenditures and other financing uses.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, consist of the following:

	Governmental Funds	Proprietary Fund	Total Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks				$ 5,124
Cash in Revolving Fund	$ 1,250		$ 1,250	
County Pool Investments	3,109,727	$ 96,066	3,205,793	
Investment	212,370		212,370	
Totals	$ 3,323,347	$ 96,066	$ 3,419,413	$ 5,124

Cash on Hand and in Banks

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in Revolving Fund

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

County Pool Investments

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

Investment

Investments consist of government securities held at Bank of New York Mellon Trust Company, as trustee for the District, and is reserved for future retirement of the outstanding qualified school construction bonds. This investment is recorded in these financial statements at fair value.

General Authorization

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates.

The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 3,205,793	$ 3,205,516	$ 2,773,731	$ 432,062

Credit Risk

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

Investment Type	Carrying Value	Fair Value	Rating as of Year End		
			AAA	Aa	Unrated
County Pool Investments	$ 3,205,793	$ 3,205,516			$ 3,205,793

Concentration of Credit Risk

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

Derivative Investments

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2013, the District does not have any investments that are held by counterparties.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District incurred unanticipated expenditures in excess of appropriations in the expenditure classification listed below for which the budget was not revised.

	Excess Expenditures
General Fund:	
Employee Benefits	$ 3,528

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 46,555		$ 46,555
State Government	95,700		95,700
Local Governments	26,546	$ 104,469	131,015
Miscellaneous	25,591		25,591
Totals	$ 194,392	$ 104,469	$ 298,861

NOTE 5 - INTERFUND ACTIVITIES

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2012-13 were as follows:

Governmental Funds	Transfers In	Transfers Out
General	$ 11,500	$ 122,000
Bond Interest & Redemption		141,519
Measure - B Building		11,500
QSCB Debt Service	141,519	
Measure - A QSCB Building	2,206	
Capital Projects - Special Reserve		2,206
Subtotals	155,225	277,225
Proprietary Fund		
Self-Insurance	122,000	
Totals	$ 277,225	$ 277,225

Transfer of $122,000 from General Fund to Self-Insurance Fund to provide funding to pay future retiree health benefit costs.

Transfer of $141,519 from Bond Interest & Redemption Fund to QSCB Debt Service Fund to provide funds to satisfy the debt service requirements of the qualified school construction bond.

Transfer of $11,500 from Measure - B Building Fund to General Fund to reimburse bond related expenditures previously paid by the General Fund.

Transfer of $2,206 from Capital Projects - Special Reserve Fund to Measure - A QSCB Building Fund to reimburse expenditures.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, is shown below:

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
Land	$ 206,174			$ 206,174
Sites and Improvements	81,301			81,301
Buildings and Improvements	36,302,174	$ 1,494,188		37,796,362
Furniture and Equipment	307,406			307,406
Work-in-Progress	291,495		$ 291,495	0
Totals at Historical Cost	37,188,550	1,494,188	291,495	38,391,243
Less Accumulated Depreciation for:				
Sites and Improvements	81,301			81,301
Buildings and Improvements	4,227,443	704,641		4,932,084
Furniture and Equipment	184,487	61,061		245,548
Total Accumulated Depreciation	4,493,231	765,702	0	5,258,933
Governmental Activities Capital Assets, net	$ 32,695,319	$ 728,486	$ 291,495	$ 33,132,310

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 461,807
Supervision of Instruction	2,196
Instructional Library and Technology	44,808
School Site Administration	41,418
Other Pupil Services	46,376
Data Processing Services	1,947
Other General Administration	122,820
Plant Services	44,330
Total Depreciation Expense	$ 765,702

NOTE 7 - QUALIFIED SCHOOL CONSTRUCTION BONDS

On May 17, 2010, the District issued $2,850,000 of Qualified School Construction Bonds (QSCBs), pursuant to an authorization granted by voters of the District on June 3, 2008. The QSCBs are payable from ad valorem taxes imposed upon all property subject to taxation by the District. The QSCBs are tax credit bonds pursuant to Sections 54A and 54F of the Internal Revenue Code. Accordingly, a tax credit equal to 5.47% per annum will be provided to the owner of the QSCBs in lieu of traditional interest payments. In addition, a 1.3% per annum supplemental interest payment will be paid to the owner of the QSCBs quarterly.

In accordance with the QSCB purchase agreement, the District is required to make annual sinking fund deposits, which began in May 2010 and will end in March 2027. The amount of the required deposits will be computed on an annual basis to ensure that the required deposit, plus the sinking fund investment earnings, will be sufficient to satisfy the annual sinking fund balance requirements that are specified in the purchase agreement. The financial activity of the sinking fund is reflected in the QSCB Debt Service Fund in these financial statements.

NOTE 7 - QUALIFIED SCHOOL CONSTRUCTION BONDS (CONCLUDED)

The future debt service requirements and tax credits of the QSCBs, as of June 30, 2013, exclusive of the annual sinking fund deposits, are as follows:

Year Ended June 30	Principal	Interest	Totals	Tax Credit
2014	$ 0	$ 37,050	$ 37,050	$ 155,895
2015	0	37,050	37,050	155,895
2016	0	37,050	37,050	155,895
2017	0	37,050	37,050	155,895
2018	0	37,050	37,050	155,895
2019-2023	0	185,250	185,250	779,475
2024-2028	2,850,000	148,200	2,998,200	623,580
Totals	$ 2,850,000	$ 518,700	$ 3,368,700	$ 2,182,530

NOTE 8 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2013 is as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Bonds Outstanding June 30, 2013
8/1/06	4.50-6.00	8/1/31	$ 11,000,000	$ 10,380,000		$ 255,000	$ 10,125,000
8/1/08	4.00-5.00	8/1/33	3,900,000	3,785,000			3,785,000
		Totals	$ 14,900,000	$ 14,165,000	$ 0	$ 255,000	$ 13,910,000

The annual requirements to amortize the current interest general obligation bonds, as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 330,000	$ 649,623	$ 979,623
2015	425,000	629,610	1,054,610
2016	75,000	616,647	691,647
2017	95,000	612,873	707,873
2018	100,000	608,473	708,473
2019-2023	355,000	3,016,225	3,371,225
2024-2028	3,400,000	2,733,591	6,133,591
2029-2033	8,645,000	1,003,755	9,648,755
2034-2038	485,000	11,640	496,640
Totals	$ 13,910,000	$ 9,882,437	$ 23,792,437

NOTE 8 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

The outstanding obligation for the capital appreciation bonds at June 30, 2013 is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2012	Accreted Interest Current Year	Redeemed Current Year	Bonds Outstanding June 30, 2013
8/1/06	4.27-4.88	8/1/25	$ 3,999,941	$ 5,222,969	$ 243,521	$ 0	$ 5,466,490

The outstanding obligation for capital appreciation bonds at June 30, 2013, is as follows:

Year Ended June 30	Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014		$ 0	$ 0	$ 0
2015		0	0	0
2016	4.27	287,948	0	384,494
2017	4.30	307,850	104,184	412,034
2018	4.34	325,109	111,103	436,212
2019-2023	4.43-4.77	1,835,350	673,695	2,509,045
2024-2028	4.78-4.88	1,243,684	481,021	1,724,705
Totals		$ 3,999,941	$ 1,370,003	$ 5,466,490

The annual requirements to amortize the capital appreciation bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 0	$ 0	$ 0
2015	0	0	0
2016	287,948	132,052	420,000
2017	307,850	162,150	470,000
2018	325,109	194,891	520,000
2019-2023	1,835,350	1,659,650	3,495,000
2024-2028	1,243,684	1,691,316	2,935,000
Totals	$ 3,999,941	$ 3,840,059	$ 7,840,000

NOTE 9 - CAPITAL LEASES

The District has entered into lease agreements to purchase computer equipment valued at $318,085. All of these agreements provide for title to pass upon expiration of the lease terms.

Future minimum lease payments under these agreements are as follows:

Year Ended June 30	Lease Payments
2014	$ 43,509
Less amount representing interest	(1,263)
Present value of net minimum lease payments	$ 42,246

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

NOTE 10 - EARLY RETIREMENT INCENTIVES

In addition to benefits described in Notes 11 and 14, the District offered two early retirement incentive programs. In prior years, the District offered service credit for eligible certificated employees which increased by two years. In fiscal year 2012-13, the District offered its own one-time only retirement incentive to certificated employees who met the specific conditions that enabled them to participate in the program. The estimated future payments to provide these benefits are as follows:

Year Ended June 30	Early Retirement Incentives
2014	$ 33,589
2015	33,100
2016	12,111
Total Payments	78,800
Less amounts representing interest	(2,930)
Present value of net minimum payments	$ 75,870

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

From an accrual accounting perspective, the cost of post employment healthcare benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Descriptions: The District provides medical, dental, vision, and life insurance coverage to certificated and classified employees who elect to retire after the age of 55 with at least 10 years of service in the District and are eligible for pension benefits from either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District and retirees share in the cost of benefits as follows:

Retirees hired prior to April 1, 1986, (Tier 1) receive 100% District paid health and welfare benefits for life up to the active employee benefit level. Retirees hired on or after April 1, 1986 and prior to June 30, 1999, (Tier 2) receive 100% District paid benefits up to the active benefit level up to age 65, and a 50% benefit reduction after age 65. Retirees hired after June 30, 1999, (Tier 3) receive 100% District paid benefits up to the active benefit level until age 65.

Retirees who do not qualify under the previous plan provisions, can possibly receive the CalPERS unequal employer monthly contribution and self-pay the remainder of the monthly premium.

The retiree is responsible for self-paying 100% of premiums in excess of the District contribution for his/her coverage and is responsible for self-paying 100% of all premiums for uncovered spouses or dependents of any age.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of July 1, 2012, the effective date of the triennial OPEB valuation is as follows.

Active employees	45
Retired employees	21
Total	66

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

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of $147,856 for the year ended June 30, 2013.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Annual OPEB Cost and Net OPEB Obligation (Concluded):

Normal cost with interest to end of year	$ 105,100
Amortization of UAAL with interest to end of year	140,186
Annual required contribution (ARC)	245,286
Interest on Net OPEB Obligation	848
Adjustment to ARC	(1,227)
Annual OPEB cost (expense)	244,907
Contributions for the fiscal year	(118,263)
Increase in Net OPEB Obligation	126,644
Net OPEB Obligation - June 30, 2012	21,212
Net OPEB Obligation - June 30, 2013	$ 147,856

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as shown on the next page.

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2013	$ 244,907	48.3%	$ 147,856
June 30, 2012	126,200	94.5%	21,212
June 30, 2011	118,000	103.3%	14,259

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level dollar open period amortization. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial healthcare cost trend rate of 8%, which grades down to an ultimate rate of 5% by the 3rd year.

NOTE 12 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2013, is shown below.

	Balances July 1, 2012	Additions	Deductions	Balances June 30, 2013	Due within One Year
Compensated Absences	$ 31,025	$ 33,227	$ 31,025	$ 33,227	$ 33,227
Qualified School Construction Bonds	2,850,000			2,850,000	
General Obligation Bonds:					
Current Interest	14,165,000		255,000	13,910,000	330,000
Capital Appreciation	5,222,969	243,521		5,466,490	
Bond Premium	278,182		14,432	263,750	14,432
Capital Leases	116,537		74,291	42,246	42,246
Early Retirement Incentives	46,494	61,500	32,124	75,870	32,124
Other Post Employment Benefits	21,212	244,907	118,263	147,856	
Totals	$ 22,731,419	$ 583,155	$ 525,135	$ 22,789,439	$ 452,029

NOTE 13 - FUND BALANCES

The District's fund balances at June 30, 2013 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Measure - B Building Fund	Non-Major Governmental Funds	Totals
Nonspendable	$ 1,250				$ 1,250
Restricted	69,857	$ 721,973	$ 374,513	$ 316,872	1,483,215
Assigned	9,049			13,592	22,641
Unassigned					
Economic Uncertainties	1,948,421				1,948,421
Total Fund Balances	$ 2,028,577	$ 721,973	$ 374,513	$ 330,464	$ 3,455,527

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $228,681, $198,693, and $208,249, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were $99,608, $98,296, and $89,499, respectively, and equal 100% of the required contributions for each year.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, employees were required to contribute 4.2% of their gross earnings from July 2012 through December 2012, and 6.2% from January 2013 through June 2013.

NOTE 15 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of $139,993 (5.1755% of creditable compensation subject to CalSTRS).

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012-13, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

NOTE 17 - JOINT VENTURE

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

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

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

NOTE 18 - ECONOMIC DEPENDENCY

During fiscal year 2012-13, the District received $577,031 of parcel tax revenue that is subject to voter approval.

NOTE 19 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

As of June 30, 2013, the balance of account receivables of the District included $21,188 due from the Foundation for reimbursement for salaries and benefits for an employee who is employed by the District but works primarily for the Foundation.

The Foundation also donated $1,085,000 to the District during the fiscal year 2012-13, which is included in Miscellaneous Revenue of the District on the Statement of Activities reported on page 17.

NOTE 20 - 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 review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

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

NOTE 21 - SUBSEQUENT EVENTS

The District’s management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 2, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

SUPPLEMENTARY INFORMATION SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

ROSS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue Limit Sources:				
State Apportionment		$ 67,400	$ 67,510	$ 110
Local Sources	$ 3,360,778	3,353,762	3,367,068	13,306
Total Revenue Limit Sources	3,360,778	3,421,162	3,434,578	13,416
Federal Revenue	81,104	99,138	102,950	3,812
Other State Revenue	176,933	183,313	187,181	3,868
Other Local Revenue	2,103,999	2,319,963	2,317,574	(2,389)
Total Revenues	5,722,814	6,023,576	6,042,283	18,707
Expenditures				
Certificated Salaries	2,803,486	2,813,951	2,810,581	3,370
Classified Salaries	911,263	932,926	924,512	8,414
Employee Benefits	980,379	951,123	954,651	(3,528)
Books and Supplies	148,678	340,275	333,180	7,095
Services and Other Operating Expenditures	802,338	779,016	735,215	43,801
Debt Service:				
Principal Retirement	3,125	4,033	4,033	
Interest and Fiscal Charges	81,457	74,291	74,291	
Other Expenditures		325	325	
Total Expenditures	5,730,726	5,895,940	5,836,788	59,152
Excess of Revenues Over (Under) Expenditures	(7,912)	127,636	205,495	77,859
Other Financing Sources (Uses)				
Operating Transfers In		11,500	11,500	
Operating Transfers Out	(118,000)	(122,000)	(122,000)	
Total Other Financing Sources (Uses)	(118,000)	(110,500)	(110,500)	0
Net Change in Fund Balances	(125,912)	17,136	94,995	$ 77,859
Fund Balances - July 1, 2012	1,933,582	1,933,582	1,933,582	
Fund Balances - June 30, 2013	$ 1,807,670	$ 1,950,718	$ 2,028,577	

ROSS SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	QSCB Debt Service	Measure - A QSCB Building	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
Assets					
Deposits and Investments	$ 212,370	$ 21	$ 12	$ 13,592	$ 225,995
Receivables	104,469				104,469
Total Assets	$ 316,839	$ 21	$ 12	$ 13,592	$ 330,464
Fund Balances					
Restricted	$ 316,839	$ 21	$ 12		$ 316,872
Assigned				$ 13,592	13,592
Total Fund Balances	316,839	21	12	13,592	330,464
Total Liabilities and Fund Balances	$ 316,839	$ 21	$ 12	$ 13,592	$ 330,464

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	QSCB Debt Service	Measure - A QSCB Building	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
Revenues					
Federal Revenue				$ 1,955	$ 1,955
Local Revenue		$ 164		28	192
Total Revenues		164		1,983	2,147
Expenditures					
Facilities Acquisition and Construction		174,445			174,445
Debt Service:					
Interest and Issuance Costs	$ 37,050				37,050
Total Expenditures	37,050	174,445		0	211,495
Excess of Revenues Over (Under) Expenditures	(37,050)	(174,281)		1,983	(209,348)
Other Financing Sources (Uses)					
Operating Transfers In	141,519	2,206			143,725
Operating Transfers Out				(2,206)	(2,206)
Total Other Financing Sources (Uses)	141,519	2,206		(2,206)	141,519
Net Change in Fund Balances	104,469	(172,075)		(223)	(67,829)
Fund Balances - July 1, 2012	212,370	172,096	$ 12	13,815	398,293
Fund Balances - June 30, 2013	$ 316,839	$ 21	$ 12	$ 13,592	$ 330,464

ROSS SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
7/1/12	$ 0	$ 2,424,106	$ 2,424,106	0%	$ 3,753,694	64.6%
7/1/09	0	2,085,000	2,085,000	0%	3,312,488	62.9%

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

ORGANIZATION/GOVERNING BOARD/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ORGANIZATION

The Ross School District was established in 1867 and comprises an area located in Marin County. The District currently operates one school serving grades kindergarten through eight. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

Name	Office	Term Expires
Whit Gaither	President	December 2013
Bob Dickinson	Vice President	December 2013
Todd Blake	Member	December 2013
John Longley	Member	December 2015
Ann Sutro	Member	December 2015

ADMINISTRATION

Chi Kim
Superintendent

Deborah Wolfe
Chief Business Official

ROSS SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Second Period Report	Annual Report
Elementary		
Kindergarten	37.53	37.71
First through Third	119.46	119.96
Fourth through Sixth	101.86	102.59
Seventh and Eighth	78.70	78.93
Special Education - Nonpublic	0.00	0.05
Totals	337.55	339.24

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Adjusted 1982-83 Actual Minutes	1986-87 Minutes Required	Adjusted 1986-87 Minutes Required	2012-13 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	35,200	34,222	36,000	35,000	46,895	180	N/A	In Compliance
Grade 1	46,200	44,917	50,400	49,000	54,450	180	N/A	In Compliance
Grade 2	46,200	44,917	50,400	49,000	54,450	180	N/A	In Compliance
Grade 3	46,200	44,917	50,400	49,000	54,450	180	N/A	In Compliance
Grade 4	54,560	53,044	54,000	52,500	56,880	180	N/A	In Compliance
Grade 5	54,560	53,044	54,000	52,500	56,880	180	N/A	In Compliance
Grade 6	54,560	53,044	54,000	52,500	61,848	180	N/A	In Compliance
Grade 7	55,710	54,163	54,000	52,500	61,848	180	N/A	In Compliance
Grade 8	55,710	54,163	54,000	52,500	61,848	180	N/A	In Compliance

ROSS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Program Name	Federal Catalog Number	Pass-Through Identification Number	Federal Program Expenditures
U.S. Department of Education:			
Passed through California			
Department of Education (CDE):			
NCLB: Title I - Basic Grants	84.001	14329	$ 25,434
NCLB: Title II - Enhancing Education Through Technology	84.318	14334	97
NCLB: Title II - Improving Teacher Quality	84.367	14341	9,029
NCLB: Title III - Immigrant Education	84.365A	14346	900
NCLB: Title III - Limited English Proficiency	84.365A	10084	423
Passed through Marin County SELPA:			
Special Education - IDEA Part B Basic Local Assistance	84.027	13379	61,018
Special Education - IDEA Part B Mental Health Allocation Plan	84.027	14468	6,049
Total			$ 102,950

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Deferred Maintenance Fund
June 30, 2013 Annual Financial and Budget Report Fund Balances	$ 2,019,528	$ 9,049
Reclassification Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	9,049	(9,049)
June 30, 2013 Audited Financial Statements Fund Balances	$ 2,028,577	$ 0

Auditor's Comments

The fund balances of the General Fund and Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2013.

ROSS SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND			
	(Budget)* 2013-14	2012-13	2011-12	2010-11
Revenues and Other Financial Sources	$ 6,062,392	$ 6,053,783	$ 5,872,838	$ 5,843,543
Expenditures	5,911,773	5,836,788	5,772,099	5,551,056
Other Uses and Transfers Out	135,868	122,000	118,654	107,000
Total Outgo	6,047,641	5,958,788	5,890,753	5,658,056
Change in Fund Balance	14,751	94,995	(17,915)	185,487
Ending Fund Balance	$ 2,043,328	$ 2,028,577	$ 1,933,582	$ 1,951,497
Available Reserves	$ 1,962,988	$ 1,948,421	$ 1,835,666	$ 1,844,037
Reserve for Economic Uncertainties **	$ 1,962,988	$ 1,948,421	$ 1,835,666	$ 1,844,037
Available Reserves as a Percentage of Total Outgo	32.5%	32.7%	31.2%	32.6%
Average Daily Attendance at P-2	340	338	333	341
Total Long-Term Liabilities	$ 22,337,410	$ 22,789,439	$ 22,731,419	$ 22,630,858

* The fiscal year 2013-14 budget information is presented for analytical purposes only and has not been audited.

** Reported balances are a component of available reserves.

The fund balance of the General Fund increased $77,080 (3.9%) over the past two years. The fiscal year 2013-14 budget projects an increase of $14,751 (0.7%). For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of $17,915 during fiscal year 2011-12 and produced operating surpluses of $94,995 and $185,487 during fiscal years 2012-13 and 2010-11, respectively.

Average daily attendance has decreased 3 ADA over the past two years. The District's fiscal year 2013-14 budget is based on an increase of 2 ADA.

Total long-term liabilities increased $158,581 over the past two years.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

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

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

The District received revenue limit funding under the Basic Aid Provision and therefore did not receive incentive funding for increasing instructional time as provided by the incentive for longer day instructional day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

F. Schedule of Expenditures of Federal Awards

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

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

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

H. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR’S REPORTS SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Ross School District
Ross, California

Report on State Compliance

We have audited Ross School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13* for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws, regulations, contracts, and grants.

Auditor's Responsibility

Our responsibility is to express an opinion on Ross School District's compliance based on our compliance audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Ross 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 on compliance with state laws and regulations applicable in the following areas. However, our audit does not provide a legal determination of Ross School District's compliance with those requirements.

Description	Procedures in Education Audit Appeals Panel's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Description	Procedures In Education Audit Appeals Panel's Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	4	Not Applicable

Opinion on Compliance

In our opinion, Ross School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 2, 2013

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Governing Board
Ross School District
Ross, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Ross School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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

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

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Compliance and Other Matters

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 2, 2013

FINDINGS AND QUESTIONED COSTS SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

ROSS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2013.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2013.

ROSS SCHOOL DISTRICT

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

There were no matters reported in the prior audit report.

APPENDIX D

COUNTY INVESTMENT REPORT

THIS PAGE INTENTIONALLY LEFT BLANK

TREASURER DIVISION - DEPARTMENT OF FINANCE
PORTFOLIO SUMMARY REPORT - OPERATING FUNDS
COUNTY OF MARIN, SCHOOLS & SPECIAL DISTRICTS
March 31, 2014

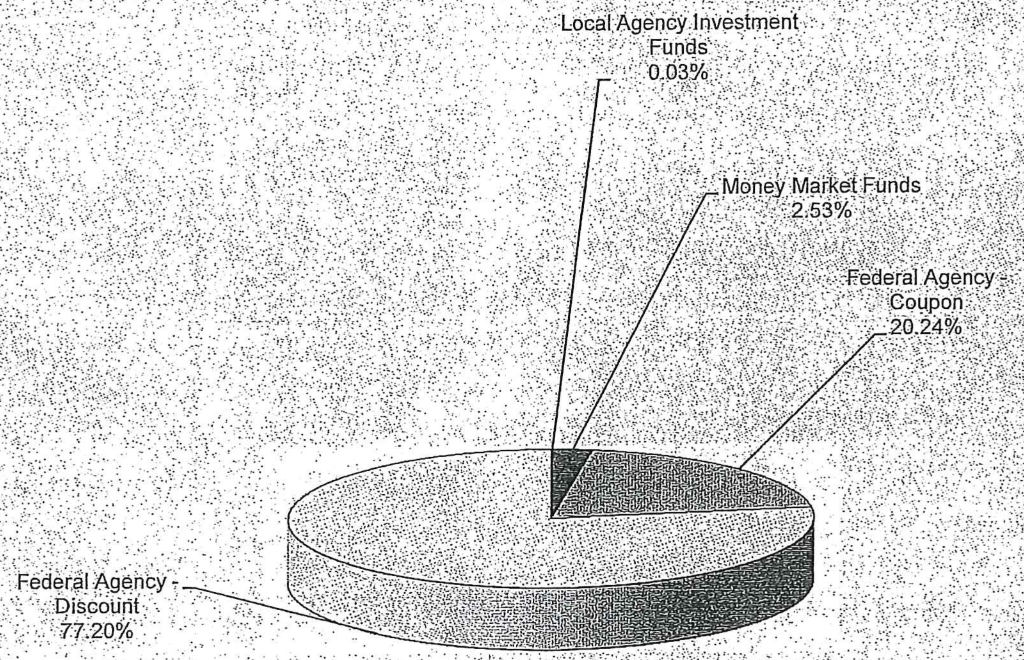
DESCRIPTION	ENDING BALANCE March 31, 2014	AVERAGE BALANCE March 31, 2014	WEIGHTED AVERAGE DAYS TO MATURITY	ANNUALIZED YIELD March 31, 2014	YIELD March 31, 2014
LOCAL AGENCY INVESTMENT FUNDS	$236,112.80	$236,112.80	1	0.236	0.236
MONEY MARKET FUNDS	$20,003,700.84	$20,003,700.84	1	0.010	0.010
FEDERAL AGENCY ISSUES - COUPON	$159,998,500.00	$164,353,345.35	873	0.606	0.669
FEDERAL AGENCY ISSUES - DISCOUNT	$610,312,965.80	$582,375,703.08	75	0.086	0.084
TREASURY SECURITIES - COUPON					
TREASURY SECURITIES - DISCOUNT					
MISC SECURITIES - COUPON	$534,777.00	$534,777.00	985	3.568	3.568
TOTALS & AVERAGES	$791,086,056.44	$767,503,639.07	235	0.198%	0.203%

The Local Agency Investment Funds is an open ended account and is not included in the total weighted days to maturity.

Treasurer Division - Department of Finance
Portfolio Yield Report - Operating Funds
County of Marin, Schools & Special Districts
March 31, 2014

INVESTMENT HOLDINGS	BOOK VALUE	3/31/14
Local Agency Investment Funds	$236,112.80	0.236%
Money Market Funds	$20,003,700.84	0.010%
Federal Agency - Coupon	$159,998,500.00	0.669%
Federal Agency - Discount	$610,312,965.80	0.084%
Misc.- Coupon	$534,777.00	3.568%
TOTAL	$791,086,056.44	0.203%

PORTFOLIO ALLOCATION



APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

Board of Trustees of the
Ross Elementary School District
9 Lagunitas Road
Ross, California 94957

OPINION: $9,415,000 Ross Elementary School District (Marin County, California) 2014 General Obligation Refunding Bonds

---

Members of the Board of Trustees:

We have acted as bond counsel to the Ross Elementary School District (the "District") in connection with the issuance by the District of $9,415,000 principal amount of Ross Elementary School District (Marin County, California) 2014 General Obligation Refunding Bonds (the "Bonds"), pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on April 30, 2014 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Marin County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of

tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. In addition, it is our opinion that the Bonds are a "qualified tax-exempt obligations" under section 265(b)(3) of the Code.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the ROSS ELEMENTARY SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $9,415,000 Ross Elementary School District (Marin County, California) 2014 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on April 30, 2014 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than April 15 after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 fiscal year, which is due not later than April 15, 2015, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of fiscal year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;
(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than

in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

ROSS ELEMENTARY SCHOOL DISTRICT

By ______________________________________
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Ross Elementary School District

Name of Issue: Ross Elementary School District (Marin County, California) 2014 General Obligation Refunding Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: ___________________________

ROSS ELEMENTARY SCHOOL DISTRICT,
as Dissemination Agent

By _____________________________________
Title ____________________________________

cc: Paying Agent

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

THIS PAGE INTENTIONALLY LEFT BLANK