

**SALIDA UNION ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2004**

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**OF STANISLAUS COUNTY**

**SALIDA, CALIFORNIA**

**JUNE 30, 2004**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ivan Wyeth	President	2005
Steve Ernst	Clerk	2005
Dennis Thompson	Trustee	2007
Gary Dew	Trustee	2007
Mark Hughes	Trustee	2005

**ADMINISTRATION**

Antonio Borba	Superintendent
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**ORGANIZATION**

The Salida Union School District was established in 1949 and is comprised of an area of approximately 31 square miles located in Stanislaus County. There were no changes in the boundaries of the District during the current year. The District is currently operating four elementary schools and one middle school providing instruction for kindergarten through eighth grade.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2004

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Salida Union Elementary School District  
Salida, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union Elementary School District, as of June 30, 2004, and the respective changes in financial positions, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 43, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Vavrinek, Urine, Day & Co, LLP*

Fresno, California

October 27, 2004



# Salida Union School District

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**District Superintendent**  
António L. Borba, Ed.D.

**Board of Trustees**  
Dennis Thompson  
Ivan Wyeth, II  
Mark Hughes  
Steve Ernst  
Gary Dew

This section of Salida Union School District's 2003-2004 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

### ***The Financial Statements***

The financial statements presented herein include all of the activities of the Salida Union School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Primary unit of the government is the Salida Union School District.

# SALIDA UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

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### ***REPORTING THE DISTRICT AS A WHOLE***

#### *The Statement of Net Assets and the Statement of Activities and Changes in Net Assets*

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

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, we separate the District activities as follows:

**Governmental activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

#### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.



# SALIDA UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

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### *THE DISTRICT AS TRUSTEE*

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### *THE DISTRICT AS A WHOLE*

#### Net Assets

The District's net assets were \$43.7 million for the fiscal year ended June 30, 2004. Of this amount, \$1.3 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

#### **Net Assets**

(Amounts in millions)

	Governmental Activities 2003-04	Governmental Activities 2002-03	Governmental Activities Net Change
Current and other assets	\$ 10.6	\$ 10.5	\$ 0.1
Capital assets	46.5	47.3	(0.8)
<b>Total Assets</b>	<b>57.1</b>	<b>57.8</b>	<b>(0.7)</b>
Current liabilities	2.2	1.4	0.8
Long-term debt	11.3	11.1	0.2
<b>Total Liabilities</b>	<b>13.5</b>	<b>12.5</b>	<b>1.0</b>
Net assets			
Invested in capital assets, net of related debt	35.2	37.4	(2.2)
Restricted	7.2	5.8	1.4
Unrestricted	1.3	2.0	(0.7)
<b>Total Net Assets</b>	<b>\$ 43.7</b>	<b>\$ 45.2</b>	<b>\$ (1.5)</b>

The \$1.3 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay of all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$1.3 million left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to increase this amount.

# SALIDA UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

### **Changes in Net Assets**

(Amounts in millions)

	Governmental Activities 2003-2004	Governmental Activities 2002-2003	Governmental Activities Net Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 0.6	\$ 0.6	\$ -
Operating grants and contributions	6.1	6.3	(0.2)
Capital grants and contributions	-	2.8	(2.8)
General revenues:			-
State revenue limit sources	12.6	12.2	0.4
Property taxes	5.5	5.7	(0.2)
Other general revenues	1.0	1.5	(0.5)
<b>Total Revenues</b>	<b>25.8</b>	<b>29.1</b>	<b>(3.3)</b>
<b>Expenses</b>			
Instruction related	16.6	16.6	-
Student support services	2.5	2.5	-
Administration	1.4	1.5	(0.1)
Maintenance and operations	2.0	3.8	(1.8)
Other	4.8	3.7	1.1
<b>Total Expenses</b>	<b>27.3</b>	<b>28.1</b>	<b>(0.8)</b>
<b>Change in Net Assets</b>	<b>\$ (1.5)</b>	<b>\$ 1.0</b>	<b>\$ (2.5)</b>

### Governmental Activities

As reported in the Statement of Activities on page 12 the cost of all of our governmental activities this year was \$27.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5.5 million because the cost was paid by those who benefited from the programs (\$0.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$6.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.5 million in taxes, \$15.1 million in State and Federal funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's seven (7) largest functions - regular program instruction, guidance and counseling, school administration, pupil transportation, general administration, and maintenance and operations, as well as each program's *net* cost (total cost less revenues generated by the activities).

# SALIDA UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

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**Table 3**

### Net Cost of Governmental Activities

(Dollar amounts in millions)

	Total Cost of Services 2003-2004	Total Cost of Services 2002-2003	Net Change 2002-2004
Instruction	\$ 14.3	\$ 14.3	\$ -
Guidance and counseling	0.8	1.0	(0.2)
School administration	1.4	1.4	-
Pupil transportation	0.5	0.5	-
Administration	1.4	1.6	(0.2)
Maintenance and operations	2.0	3.8	(1.8)
Other	6.9	5.9	1.0
<b>Totals</b>	<b>\$ 27.3</b>	<b>\$ 28.5</b>	<b>\$ (1.2)</b>

### ***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$8.6 million, which is a decrease of \$3.5 million from last year.

The primary reasons for these decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased \$667,209. This decrease is due to:
  1. Decreased enrollment.
  2. Decreased State revenue.
  3. Increase in special education and other encroachments, plus unfunded mandates.
- b. Our Capital Projects funds decreased due to ongoing construction costs.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 21, 2004, as estimated actuals. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

### ***CAPITAL ASSET & DEBT ADMINISTRATION***

#### Capital Assets

At June 30, 2004, the District had \$46.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment net of depreciation. This amount represents a net increase (including additions, deductions and depreciation) of just over \$2 million or 4.0 percent, from last year.

**SALIDA UNION SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2004**

**Table 4**

**Capital Assets at Year-end**  
**(Net of depreciation, in millions of dollars)**  
 (Amounts in millions)

	Governmental Activities 2003-2004	Governmental Activities 2002-2003	Net Change 2002-2004
Land and Construction In Progress	\$ 7.8	\$ 7.8	\$ -
Buildings and improvements	37.4	35.4	2.0
Equipment	1.3	1.3	-
<b>Totals</b>	<b>\$ 46.5</b>	<b>\$ 44.5</b>	<b>2.0</b>

This year's major additions included the District office continuing construction.

One capital project is planned for the 2004-05 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Debt

At the end of this year, the District had \$11.3 million in debt outstanding. This debt consisted of:

**Table 5**

**Outstanding Debt at Year-end**  
 (Amounts in millions)

	Governmental Activities 2003-2004	Governmental Activities 2002-2003	Net Change 2002-2004
General obligation bonds	\$ 2.0	\$ 2.1	\$ (0.1)
Certificates of participation	7.3	7.4	(0.1)
QZAB	2.0	2.0	-
<b>Totals</b>	<b>\$ 11.3</b>	<b>\$ 11.5</b>	<b>\$ (0.2)</b>

The District's general obligation bond rating continues to be "AAA." The State limits the amount of general obligation debt that District's can issue to 35 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$2.0 million is significantly below this statutorily - imposed limit.

Other obligations include compensated absences payable. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

# SALIDA UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

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### *SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2003-04 ARE NOTED BELOW:*

Continued the \$4,285,185.00 million Salida Union School District Administration project.

### *ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES*

In considering the District Budget for the 2004/2005 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Property tax revenues will increase, there is substantial rise in assessed valuation and general growth.
2. Revenue limit income increase by 2.44 %.
3. Interest earnings decreased due to an anticipated reduction in market interest rates. We will participate in TRANS issuance. This will solve the cash flow deferment imposed by State Government.
4. Developer fee collections are based on approximately new housing units to be constructed. There are currently several new slated housing project in planning for future construction.
5. Federal income will remain constant. We do not expect an increase to the population of qualified students.
6. State income will decrease by cuts to categorical and deficated funding.
7. Without significant reductions in expenditures, and/or significant growth, the District will have to rely on other funds to offset deficit spending. Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	1,461
Grades four through eight	32:1	1,921

### *CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT*

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Jim Yardy, the Director, Business Services, at Salida Union School District, 4801 Sisk Road, Salida, California, 95356, or e-mail at [Jyardy@Salida.k12.ca.us](mailto:Jyardy@Salida.k12.ca.us).

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets</b>	
Deposits and investments	\$ 6,857,134
Receivables	3,546,748
Prepaid expenses	214,815
Stores inventories	29,285
Capital assets	
Land and construction in process	7,831,369
Other capital assets	49,089,794
Less: Accumulated depreciation	<u>(10,436,187)</u>
Total capital assets	<u>46,484,976</u>
<b>Total Assets</b>	<u><b>57,132,958</b></u>
<b>Liabilities</b>	
Overdrafts	222,878
Accounts payable	953,041
Accrued interest	304,819
Deferred revenue	674,312
Long-term liabilities	
Current portion of long-term obligations	269,478
Noncurrent portion of long-term obligations	<u>11,000,000</u>
Total long-term liabilities	<u>11,269,478</u>
<b>Total Liabilities</b>	<u><b>13,424,528</b></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	35,229,976
Restricted for:	
Debt service	1,542,390
Capital projects	3,861,016
Educational programs	435,709
Other activities	1,337,072
Unrestricted	<u>1,302,267</u>
<b>Total Net Assets</b>	<u><b>\$ 43,708,430</b></u>

The accompanying notes are an integral part of these financial statements.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 14,314,258	\$ 20,406	\$ 1,790,877	\$ 12,956
Instruction-related activities:				
Supervision of instruction	653,813	475	236,457	-
Instructional library, media and technology	160,241	-	4,842	-
School site administration	1,428,601	420	21,011	-
Pupil services:				
Home-to-school transportation	543,457	368	277,398	-
Food services	1,169,159	475,463	703,864	-
All other pupil services	783,062	1,355	144,228	-
General administration:				
All other general administration	1,449,318	-	-	-
Plant services	1,996,661	11,166	91,879	-
Ancillary services	26,032	9,085	37,582	-
Community services	2,701,711	66,136	2,596,779	-
Interest on long-term debt	507,005	3,636	179,799	-
Other outgo	377,654	-	-	-
Depreciation (unallocated)	1,154,659	-	-	-
<b>Total School District</b>	<b>\$ 27,265,631</b>	<b>\$ 588,510</b>	<b>\$ 6,084,716</b>	<b>\$ 12,956</b>

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

**Subtotal, General Revenues**

**Excess (Deficiency) of Revenues Over Expenses**

- Net Assets - Beginning
- Net Assets - Ending

The accompanying notes are an integral part of these financial statements.

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**Net (Expenses)  
Revenues and  
Changes in  
Net Assets**

**Governmental  
Activities**

\$	(12,490,019)
	(416,881)
	(155,399)
	(1,407,170)
	(265,691)
	10,168
	(637,479)
	(1,449,318)
	(1,893,616)
	20,635
	(38,796)
	(323,570)
	(377,654)
	(1,154,659)
	<u>(20,579,449)</u>
	5,145,719
	255,577
	83,000
	12,356,046
	93,293
	1,104,577
	<u>19,038,212</u>
	(1,541,237)
	45,249,667
\$	<u>43,708,430</u>



**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2004**

	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 10,294	\$ 281,033	\$ 2,218,270
Receivables	3,167,823	56,963	-
Due from other funds	338,449	-	-
Stores inventories	-	-	-
<b>Total Assets</b>	<u>\$ 3,516,566</u>	<u>\$ 337,996</u>	<u>\$ 2,218,270</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	222,878	-	-
Accounts payable	884,344	23,381	135
Due to other funds	220,000	16,474	-
Deferred revenue	465,911	208,401	-
<b>Total Liabilities</b>	<u>1,793,133</u>	<u>248,256</u>	<u>135</u>
<b>FUND BALANCES</b>			
Reserved	445,709	-	-
Unreserved:			
Designated	1,277,724	-	-
Undesignated, reported in:			
Special revenue funds	-	89,740	-
Debt service funds	-	-	-
Capital projects funds	-	-	2,218,135
<b>Total Fund Balance</b>	<u>1,723,433</u>	<u>89,740</u>	<u>2,218,135</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,516,566</u>	<u>\$ 337,996</u>	<u>\$ 2,218,270</u>

The accompanying notes are an integral part of these financial statements.

<b>COP Capital Project Fund</b>	<b>QZAB Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 802,318	\$ 1,040,446	\$ 2,504,773	\$ 6,857,134
-	-	321,962	3,546,748
-	-	220,000	558,449
-	-	29,285	29,285
<u>\$ 802,318</u>	<u>\$ 1,040,446</u>	<u>\$ 3,076,020</u>	<u>\$ 10,991,616</u>
-	-	-	222,878
-	-	45,181	953,041
-	-	321,975	558,449
-	-	-	674,312
-	-	<u>367,156</u>	<u>2,408,680</u>
-	-	29,285	474,994
-	-	960,033	2,237,757
-	-	377,039	466,779
-	1,040,446	501,944	1,542,390
802,318	-	840,563	3,861,016
<u>802,318</u>	<u>1,040,446</u>	<u>2,708,864</u>	<u>8,582,936</u>
<u>\$ 802,318</u>	<u>\$ 1,040,446</u>	<u>\$ 3,076,020</u>	<u>\$ 10,991,616</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004**

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**Amounts Reported for Governmental Activities in the Statement of  
Net Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 8,582,936</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 56,921,163
Accumulated depreciation is	<u>(10,436,187)</u>
Total capital assets	46,484,976
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.	214,815
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(304,819)
Long-term liabilities at year end consist of:	
General obligation bonds	(1,950,000)
Certificates of participation	(7,305,000)
QZAB Obligation	(2,000,000)
Compensated absences	<u>(14,478)</u>
Total long-term liabilities	(11,269,478)
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 43,708,430</u></b>

The accompanying notes are an integral part of these financial statements.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund	Child Development Fund	Special Reserve Capital Outlay Capital Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 15,385,303	\$ -	\$ -
Federal sources	3,173,161	91,200	-
Other state sources	2,995,131	300,797	-
Other local sources	1,712,672	90,770	50,607
<b>Total Revenues</b>	<u>23,266,267</u>	<u>482,767</u>	<u>50,607</u>
<b>EXPENDITURES</b>			
Current			
Instruction	14,334,622	-	-
Instruction-related activities:			
Supervision of instruction	653,813	-	-
Instructional library, media and technology	160,241	-	-
School site administration	1,428,601	-	-
Pupil Services:			
Home-to-school transportation	543,457	-	-
Food services	2,659	-	-
All other pupil services	783,062	-	-
General administration:			
All other general administration	1,413,343	30,608	-
Plant services	1,875,474	-	18,410
Facility acquisition and construction	87,560	-	14,085
Ancillary services	26,032	-	-
Community services	2,246,958	454,753	-
Other outgo	377,654	-	-
Debt service			
Principal	-	-	-
Interest and other	-	12,163	-
<b>Total Expenditures</b>	<u>23,933,476</u>	<u>497,524</u>	<u>32,495</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(667,209)</u>	<u>(14,757)</u>	<u>18,112</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	(454,277)
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(454,277)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(667,209)</u>	<u>(14,757)</u>	<u>(436,165)</u>
<b>Fund Balance - Beginning</b>	2,390,642	104,497	2,654,300
<b>Fund Balance - Ending</b>	<u>\$ 1,723,433</u>	<u>\$ 89,740</u>	<u>\$ 2,218,135</u>

The accompanying notes are an integral part of these financial statements.

<b>COP Capital Project Fund</b>	<b>QZAB Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 15,385,303
-	-	677,496	3,941,857
-	-	165,134	3,461,062
33,232	116,562	932,329	2,936,172
<u>33,232</u>	<u>116,562</u>	<u>1,774,959</u>	<u>25,724,394</u>
-	-	-	14,334,622
-	-	-	653,813
-	-	-	160,241
-	-	-	1,428,601
-	-	-	543,457
-	-	1,166,500	1,169,159
-	-	-	783,062
-	-	17,518	1,461,469
-	-	112,027	2,005,911
2,858,775	-	198,790	3,159,210
-	-	-	26,032
-	-	-	2,701,711
-	-	-	377,654
-	-	205,000	205,000
-	-	250,153	262,316
<u>2,858,775</u>	<u>-</u>	<u>1,949,988</u>	<u>29,272,258</u>
<u>(2,825,543)</u>	<u>116,562</u>	<u>(73,224)</u>	<u>(3,547,864)</u>
-	-	454,277	454,277
-	-	-	(454,277)
-	-	454,277	-
<u>(2,825,543)</u>	<u>116,562</u>	<u>279,248</u>	<u>(3,547,864)</u>
3,627,861	923,884	2,429,616	12,130,800
<u>\$ 802,318</u>	<u>\$ 1,040,446</u>	<u>\$ 2,708,864</u>	<u>\$ 8,582,936</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (3,547,864)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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 of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

This is the amount by which capital outlays exceed depreciation expense in the period.

Depreciation expense	\$(1,154,659)	
Capital outlays	<u>3,188,824</u>	2,034,165

In the statement of activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation paid was more than the earned by \$12,151. 12,151

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

General obligation bonds		140,000
Certificates of participation		65,000

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. The additional interest reported in the statement of activities is the result of interest accrued on debt payments which will be paid in the following fiscal year but is attributable to interest due for months falling into the current fiscal year. The effect of this totals:

		(244,689)
<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$ (1,541,237)</u></u></b>

The accompanying notes are an integral part of these financial statements.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 102,287
<b>Total Assets</b>	<u>\$ 102,287</u>
<b>LIABILITIES</b>	
Due to student groups	102,287
<b>Total Liabilities</b>	<u>\$ 102,287</u>

The accompanying notes are an integral part of these financial statements.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **A. Financial Reporting Entity**

The Salida Union School District was established in 1949 and is comprised of an area of approximately 31 square miles located in Stanislaus County. There were no changes in the boundaries of the District during the current year. The District is currently operating four elementary schools and one middle school providing instruction for kindergarten through eighth grade.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Salida Union Elementary School District, this includes general operations, food service, and student related activities of the District.

#### **B. State Deferred Appropriations**

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) XI 18 (the "Bill") was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California school districts. The Bill, among other things, shifted the appropriation for the payment of the June principal apportionment for the General Fund into the following fiscal year. The Bill allowed local educational agencies to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the appropriations for the Home-to-School Transportation, School Safety, and Targeted Instructional Improvement programs into the following fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue, and available reserves of \$887,028.

#### **C. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

**Joint Powers Agencies** The District is associated with two joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Summarized audited financial information is presented in Note 14 to the financial statements. These organizations are:

Central Region Schools' Insurance Group (CRSIG)  
Schools Excess Liability Fund (SELF)



# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### **D. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

#### **Major Governmental Funds**

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**COP Capital Projects Fund** The COP Capital Projects Fund is used to account for funds available for capital outlay from the proceeds of sales of Certificates of Participation.

**Special Reserve Capital Outlay Fund** The Special Reserve Capital Outlay Fund is used to account for funds set aside for Board designated construction projects.

**QZAB Debt Service Fund** The QZAB Debt Service Fund is used to account for the accumulation of funds for and to payment of debt related to the QZAB Bonds.

#### **Other Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

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

**Special Reserve Fund for Other than Capital Outlay** The Special Reserve Fund for Other than Capital Outlay is used to provide for the accumulation of General Fund monies for general operating purposes.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

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

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

**Mello Roos Capital Projects Fund** The Mello Roos Capital Projects Fund exists primarily to account separately for proceeds from the Mello Roos District and the acquisition of major governmental capital facilities and buildings.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**QZAB Capital Projects Fund** The QZAB Capital Projects Fund is used to account for the proceeds and expenditures of the proceeds from the QZAB issuance.

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

### **E. Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program. 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 the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 expected to be received within 90 days of fiscal year-end.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### G. Investments

Investments held at June 30, 2004, 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.

### H. Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Governmental Funds represent cash and cash equivalents required by debt covenants and grant covenants to be set aside by the District for the purpose of satisfying certain requirements of the agreement.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### I. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. 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 expenditures when paid.

### J. Stores Inventory

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

### K. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

### L. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is reported as long-term debt. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the government-wide financial statements as long-term debt.

### **N. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

### **O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Q. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### R. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

### S. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Stanislaus bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### T. New Accounting Pronouncement

For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units", an amendment of GASB Statement No. 14. This statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### *NOTE 2 - DEPOSITS AND INVESTMENTS*

#### **A. Policies and Practices**

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

The District is also authorized 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.

#### **B. Deposits**

At year-end, the carrying amounts of the District's deposits were \$10,884 for governmental activities, \$102,287 held in fiduciary funds. The bank balances totaled \$215,978. Of the bank balances, \$105,179 was covered by Federal deposit insurance and \$40,026 was covered by pooled and/or pledged collateral, but not necessarily held in the District's name (uncollateralized, risk Category 3).

#### **C. Investments**

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury and investments in the State Treasurer's Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2, and 3 of the California Government Code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts and is administered by California State Treasurer. The deposits with county treasury and the State pool's investments are valued using the amortized cost method (which approximates fair value). The fair values were provided by the County and State treasurers for their respective pools.



**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

The investments at June 30, 2004, are as follows:

	Category			Reported Amount	Fair Value
	1	2	3		
<b>Categorized</b>					
First American Treasury Obligations	\$ -	\$ -	\$ 644,293	\$ 644,293	\$ 644,293
AIG 6.12% Guaranteed Investment			1,040,446	1,040,446	1,040,446
Total categorized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,684,739</u>	<u>1,684,739</u>	<u>1,684,739</u>
<b>Uncategorized</b>					
Local Agency Investment Fund				655,487	655,487
Federated Auto Gvt. Cash Rsv.				1,361	1,361
Deposits with county treasurer				4,504,663	4,493,942
Total uncategorized				<u>5,161,511</u>	<u>5,150,790</u>
Total investments				<u>\$ 6,846,250</u>	<u>\$ 6,835,529</u>

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2004, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 1,286,599	\$ 4,875	\$ 177,093	\$ 1,468,567
State Government				
Apportionment	904,860	-	-	904,860
Categorical aid	126,863	-	-	126,863
Lottery	214,169	-	-	214,169
Other state	333,391	50,512	123,361	507,264
Local Government				
Interest	-	-	2	2
Other Local Sources	301,941	1,576	21,506	325,023
Total	<u>\$ 3,167,823</u>	<u>\$ 56,963</u>	<u>\$ 321,962</u>	<u>\$ 3,546,748</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Balance June 30, 2004</u>
<b>Governmental Activities</b>			
Capital Assets Not Being Depreciated			
Land	\$ 6,990,000	\$ -	\$ 6,990,000
Construction in process	841,369	-	841,369
Total Capital Assets Not Being Depreciated	<u>7,831,369</u>	<u>-</u>	<u>7,831,369</u>
Capital Assets Being Depreciated			
Buildings and improvements	43,552,554	3,111,418	46,663,972
Furniture and equipment	2,348,416	77,406	2,425,822
Total Capital Assets Being Depreciated	<u>45,900,970</u>	<u>3,188,824</u>	<u>49,089,794</u>
Less Accumulated Depreciation			
Buildings and improvements	8,247,330	1,026,565	9,273,895
Furniture and equipment	1,034,198	128,094	1,162,292
Total Accumulated Depreciation	<u>9,281,528</u>	<u>1,154,659</u>	<u>10,436,187</u>
Governmental Activities Capital Assets, Net	<u>\$44,450,811</u>	<u>\$2,034,165</u>	<u>\$ 46,484,976</u>

Depreciation expense was charged as follows:

<b>Governmental Activities</b>	
Unallocated	<u>\$ 1,154,659</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2004, are as follows:

Funds	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 338,449	\$ 220,000
Child Development	-	16,474
Cafeteria	-	195,990
Deferred Maintenance	220,000	125,985
Total	<u>\$ 558,449</u>	<u>\$ 558,449</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**B. Operating Transfers**

The Special Reserve - Capital Outlay Fund transferred to the COPS-Debt Service Fund for the required debt payment.

\$454,277

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2004, consisted of the following:

	General Fund	Child Development Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 340,133	\$ 8,743	\$ 135	\$ 30,627	\$ 379,638
Salaries and benefits	544,211	14,638	-	14,554	573,403
Total	<u>\$ 884,344</u>	<u>\$ 23,381</u>	<u>\$ 135</u>	<u>\$ 45,181</u>	<u>\$ 953,041</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2004, consists of the following:

	General Fund	Child Development Fund	Total Governmental Activities
Federal financial assistance	\$ 147,300	\$ 163,825	\$ 311,125
State categorical aid	318,611	44,576	363,187
Total	<u>\$ 465,911</u>	<u>\$ 208,401</u>	<u>\$ 674,312</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 8 - LONG-TERM LIABILITIES**

**A. Long-Term Debt Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2003	Deductions	Balance June 30, 2004	Due in One Year
General obligation bonds-1988B	\$ 1,305,000	\$ 45,000	\$ 1,260,000	\$ 45,000
General obligation bonds-1996 Refunding	785,000	95,000	690,000	100,000
Certificates of Participation-2001	2,870,000	65,000	2,805,000	75,000
Certificates of Participation-2003A	2,620,000	-	2,620,000	35,000
Certificates of Participation-2003B	1,880,000	-	1,880,000	-
Qualified Zone Academy Bond	2,000,000	-	2,000,000	-
Accumulated vacation - net	26,629	12,151	14,478	14,478
Total	<u>\$11,486,629</u>	<u>\$ 217,151</u>	<u>\$ 11,269,478</u>	<u>\$ 269,478</u>

Payments on the Certificates of Participation are paid by the General Fund, the Debt Service Fund, and the Capital Facilities Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The accrued vacation will be paid by the fund for which the employee worked.

**B. Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds
				Outstanding July 1, 2003	Redeemed	Outstanding June 30, 2004
1988	2020	5.00-5.50%	\$ 1,500,000	\$ 1,305,000	\$ 45,000	\$ 1,260,000
1996	2009	5.00-5.25%	1,315,000	785,000	95,000	690,000
Total				<u>\$ 2,090,000</u>	<u>\$ 140,000</u>	<u>\$ 1,950,000</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**Debt Service Requirements to Maturity**

General Obligation 1988 Series B Bonds:

The bonds mature through 2021 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2005	\$ 45,000	\$ 66,785	\$ 111,785
2006	50,000	64,410	114,410
2007	50,000	61,910	111,910
2008	55,000	59,258	114,258
2009	60,000	56,295	116,295
2010-2014	335,000	230,831	565,831
2015-2019	450,000	123,790	573,790
2020-2021	215,000	11,963	226,963
Total	<u>\$ 1,260,000</u>	<u>\$ 675,242</u>	<u>\$ 1,935,242</u>

General Obligation 1996 Refunding Bonds:

The bonds mature through 2010 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2005	\$ 100,000	\$ 33,725	\$ 133,725
2006	105,000	28,600	133,600
2007	110,000	22,950	132,950
2008	120,000	16,625	136,625
2009	125,000	10,075	135,075
2010	130,000	3,413	133,413
Total	<u>\$ 690,000</u>	<u>\$ 115,388</u>	<u>\$ 805,388</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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Total District General Obligation Bonds Outstanding:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2005	\$ 145,000	\$ 100,510	\$ 245,510
2006	155,000	93,010	248,010
2007	160,000	247,456	407,456
2008	175,000	75,883	250,883
2009	185,000	66,370	251,370
2010-2014	465,000	234,244	699,244
2015-2019	450,000	123,790	573,790
2020-2021	215,000	11,963	226,963
Total	<u>\$ 1,950,000</u>	<u>\$ 953,226</u>	<u>\$ 2,903,226</u>

**C. Certificates of Participation – California School Board Association Financing Corporation**

On May 2, 2001 the District issued \$3,000,000 in Certificates of Participation under the California School Board Association Financing Corporation. The Certificates were issued to finance the acquisition of three new school sites. Interest is payable on the Certificates on each May 1 and November 1, commencing November 1, 2001. Principal payments on the Certificates will be due and payable each May 1, commencing on May 1, 2002. The debt payments related to this issuance are as follows:

On March 1, 2003 The District issued \$2,620,000 in 2003A Tax Exempt and \$1,880,000 in 2003B Taxable Certificates of Participation to finance the site acquisition, construction of and interior improvements for a district-wide administration building. Both series mature through 2023. The Series 2003A Tax Exempt certificates have interest rates ranging from 4.1 to 4.85 percent. Interest and principal payments are due each January 1 and July 1 commencing on July 1, 2004.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

Certificates of Participation - 2001 Issue

The certificates mature through 2029 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 75,000	\$ 140,666	\$ 215,666
2006	80,000	137,816	217,816
2007	80,000	134,656	214,656
2008	85,000	131,376	216,376
2009	90,000	127,764	217,764
2010-2014	515,000	574,532	1,089,532
2015-2019	645,000	438,675	1,083,675
2020-2024	835,000	246,713	1,081,713
2025-2029	400,000	32,519	432,519
Total	<u>\$ 2,805,000</u>	<u>\$ 1,964,717</u>	<u>\$ 4,769,717</u>

Certificates of Participation - 2003A Issue

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 35,000	\$ 173,813	\$ 208,813
2006	110,000	102,385	212,385
2007	110,000	100,185	210,185
2008	110,000	97,710	207,710
2009	115,000	94,740	209,740
2010-2014	630,000	414,126	1,044,126
2015-2019	765,000	279,850	1,044,850
2020-2023	745,000	91,130	836,130
Total	<u>\$ 2,620,000</u>	<u>\$ 1,353,939</u>	<u>\$ 3,973,939</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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Certificates of Participation - 2003B Issue

The certificates mature through 2023 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 176,831	\$ 176,831
2006	65,000	104,875	169,875
2007	70,000	102,438	172,438
2008	70,000	99,813	169,813
2009	75,000	97,188	172,188
2010-2014	435,000	424,833	859,833
2015-2019	570,000	287,980	857,980
2020-2023	595,000	92,565	687,565
Total	<u>\$ 1,880,000</u>	<u>\$ 1,386,523</u>	<u>\$ 3,266,523</u>



**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**D. Qualified Zone Academy Bond Program**

On May 9, 2001, the District issued \$2,000,000 in Qualified Zone Academy Bonds. The Bonds were issued to finance the installation of technology infrastructure and related service upgrades and to facilitate the modernization and equipping of the K-8 Magnet School Academy located at Salida Elementary School. Interest is not payable with the bonds. In lieu of receiving periodic interest payments, eligible holders of the Bonds are allowed an annual federal income tax credit equal to the credit rate times the face amount of the Bond. The tax credit rate for the Bonds is 7.08 percent. The District has deposited \$870,596 in a trustee account that has been invested in an AIG Guaranteed Investment Contract paying 6.1209 percent. The account balance as of June 30, 2004 is \$1,040,446. The interest earnings on the deposit have been projected to be sufficient to cover the entire maturing principal balance at May 23, 2015. Should the District determine at any time that the full principal amount would not be covered, the District will be liable to make payments to cover the deficiency. The published projected account balance by fiscal year held for the principal payment on May 23, 2015, is as follows:

Qualified Zone Academy Bond Program

Year Ending June 30,	Interest Earnings	Projected Account Balance
2004	\$ 60,011	\$ 1,040,445
2005	63,685	1,104,130
2006	67,583	1,171,713
2007	71,719	1,243,432
2008	76,109	1,319,541
2009	80,767	1,400,308
2010	85,712	1,486,020
2011	90,958	1,576,978
2012	96,525	1,673,503
2013	102,434	1,775,937
2014	108,704	1,884,641
2015 <sup>1</sup>	115,359	2,000,000
	\$ 1,019,566	

<sup>1</sup> The debt payment is due on May 23, 2015, by which time the account balance is projected to be \$2,000,000.

**E. Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2004, amounted to \$14,478.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 9 - FUND BALANCES**

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Child Development Fund	Special Reserve Capital Outlay Fund	COP Capital Projects Fund	QZAB Debt Service Fund	Non-Major Funds	Total
<b>Reserved</b>							
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Stores inventory	-	-	-	-	-	29,285	29,285
Restricted programs	435,709	-	-	-	-	-	435,709
Total Reserved	445,709	-	-	-	-	29,285	474,994
<b>Unreserved</b>							
<b>Designated</b>							
Economic uncertainties	607,240	-	-	-	-	114,560	721,800
Other designation	670,484	-	-	-	-	845,473	1,515,957
Total Designated	1,277,724	-	-	-	-	960,033	2,237,757
<b>Undesignated</b>							
Undesignated	-	89,740	2,218,135	802,318	1,040,446	1,719,546	5,870,185
Total Unreserved	1,277,724	89,740	2,218,135	802,318	1,040,446	2,679,579	8,107,942
<b>Total</b>	<b>\$1,723,433</b>	<b>\$ 89,740</b>	<b>\$ 2,218,135</b>	<b>\$802,318</b>	<b>\$1,040,446</b>	<b>\$2,708,864</b>	<b>\$ 8,582,936</b>

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The District provides postemployment health care benefits as an early retirement incentive program, in accordance with District employment contracts, to all employees who retire from the District with at least 30 years of service as established by PERS or STRS. Currently, three employees meet those eligibility requirements. The District contributes a percent of the amount of premiums incurred by retirees depending on the employee's age at retirement. The percentage of benefits cost paid by the District in relation to the employees age at retirement is as follows: 56 - 100 percent, 57 - 75 percent, 58 - 50 percent, 59 - 25 percent. Expenditures for postemployment benefits are recognized as premiums are paid. During the year, expenditures of \$7,394 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2004, amounts to \$31,362. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2004, multiplied by the number of years of payments remaining until the respective retirees reach age 65.

# **SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

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### ***NOTE 11 - RISK MANAGEMENT***

#### **A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending , the District contracted with Central Region Schools' Insurance Group (CRSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **B. Workers' Compensation**

For fiscal year 2004, the District participated in the Central Region Schools' Insurance Group (CRSIG), an insurance purchasing pool. The intent of the CRSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CRSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CRSIG. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." Participation in the CRSIG is limited to districts that can meet the CRSIG selection criteria.

#### **C. Employee Medical Benefits**

The District has contracted with the CRSIG to provide employee medical and surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### ***NOTE 12 - 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 State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### A. STRS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 8.0 percent 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$987,751, \$972,708, and \$813,449, respectively, and equal 100 percent of the required contributions for each year.

### B. PERS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7.0 percent 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 2003-2004 was 10.42 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$438,230, \$122,662, and \$0, respectively, and equal 100 percent of the required contributions for each year.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

### D. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$272,978 (2.28 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2004. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

## *NOTE 13 - COMMITMENTS AND CONTINGENCIES*

### A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

### B. Litigation

The District is not currently a party to any legal proceedings.

### C. Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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**D. Construction Commitments**

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Administration Building	<u>\$ 350,000</u>	<u>December 2005</u>

***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Central Region Schools' Insurance Group (CRSIG), and the Schools Excess Liability Fund (SELF) joint powers authorities JPA's. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

<b>A. <u>Entity</u></b>	Central Region Schools' Insurance Group (CRSIG)	Schools Excess Liability Fund (SELF)
<b>B. <u>Purpose</u></b>	Arranges for and provides workers' compensation, health, and property and liability insurance for its members.	Arranges for excess liability insurance.
<b>C. <u>Participants</u></b>	Other school districts.	Other school districts.
<b>D. <u>Governing Board</u></b>	One representative from each member district.	One representative from each member district.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**E. Condensed Audited Financial Information Follows**

	(CRSIG) June 30, 2003*	(SELF) June 30, 2003*
Assets	\$ 22,855,742	\$ 139,052,615
Liabilities	6,923,583	107,855,085
Fund Equity	<u>\$ 15,932,159</u>	<u>\$ 31,197,530</u>
Revenues	16,187,157	40,290,486
Expenses	14,051,360	56,733,282
Net Increase/(Decrease) in Fund Equity	<u>\$ 2,135,797</u>	<u>\$ (16,442,796)</u>

\*Most recent information available.

None of the JPA's had long-term debts outstanding at June 30, 2003. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

**NOTE 15 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2004, the following District funds exceeded the budgeted amount as follows:

	Expenditures		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 3,649,186	\$ 3,666,169	\$ 16,983
Other outgo	\$ 308,729	\$ 331,809	\$ 23,080
Capital outlay	\$ 124,063	\$ 132,555	\$ 8,492
Cafeteria Fund			
Employee benefits	\$ 107,044	\$ 108,722	\$ 1,678
Child Development Fund			
Classified salaries	\$ 130,529	\$ 147,538	\$ 17,009

**NOTE 16 - SUBSEQUENT EVENTS**

The District issued \$4,000,000 of Tax and Revenue Anticipation Notes dated July 6, 2004. The notes mature on July 5, 2005, and yield 1.6 percent interest. The notes were sold to supplement cash flow. Repayment requirements are the balance of principal and interest be deposited with the Fiscal Agent by July 5, 2005, for a total of \$4,120,000.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual (GAAP Basis)	Variations -
	(GAAP Basis)			Favorable
	Original	Final		(Unfavorable) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$14,984,823	\$ 15,268,401	\$ 15,385,303	\$ 116,902
Federal sources	2,977,580	3,562,351	3,173,161	(389,190)
Other state sources	2,950,611	3,209,295	2,995,131	(214,164)
Other local sources	1,701,550	1,677,292	1,712,672	35,380
<b>Total Revenues</b>	<b>22,614,564</b>	<b>23,717,339</b>	<b>23,266,267</b>	<b>(451,072)</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	11,692,048	12,245,652	12,186,010	59,642
Classified salaries	3,892,068	3,888,365	3,767,062	121,303
Employee benefits	3,799,759	3,649,186	3,666,169	(16,983)
Books and supplies	657,228	1,496,747	1,236,344	260,403
Services and operating expenditures	3,204,044	3,521,713	2,613,527	908,186
Other outgo	372,092	308,729	331,809	(23,080)
Capital outlay	14,359	124,063	132,555	(8,492)
<b>Total Expenditures</b>	<b>23,631,598</b>	<b>25,234,455</b>	<b>23,933,476</b>	<b>1,300,979</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,017,034)</b>	<b>(1,517,116)</b>	<b>(667,209)</b>	<b>849,907</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(115,000)	(9,376)	-	9,376
<b>Net Financing Sources (Uses)</b>	<b>(115,000)</b>	<b>(9,376)</b>	<b>-</b>	<b>9,376</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,132,034)</b>	<b>(1,526,492)</b>	<b>(667,209)</b>	<b>859,283</b>
<b>Fund Balance - Beginning</b>	<b>2,390,642</b>	<b>2,390,642</b>	<b>2,390,642</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,258,608</b>	<b>\$ 864,150</b>	<b>\$ 1,723,433</b>	<b>\$ 859,283</b>

The accompanying notes are an integral part of these financial statements.

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***SUPPLEMENTARY INFORMATION***

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**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind			
Title I - Basic [1]	84.010	03797	\$ 302,176
Title I - Even Start [1]	84.213C	13700	204,414
Title II - Teacher Quality	84.376	14341	113,741
Title II - Education Technology	84.318	14334	66
Title III - LEP	84.365	10084	58,701
Title IV - Drug Free Schools	84.184	03453	21,820
Title V - Part A, Innovative Ed Strategy	84.298A	03340	2,825
21st Century After School Learning Center	84.002	03303	122,307
Special Education - State Grants			
Local Assistance [1]	84.027	03379	388,208
Passed through the Office of Public School Construction:			
Federal School Renovation	84.325A	10013	11,886
Total U.S. Department of Education			<u>1,226,144</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
National School Lunch [1]	10.555	13755	564,645
School Breakfast Program [1]	10.553	13526	112,851
Team Nutrition Training	10.574	01206	11,712
Total U.S. Department of Agriculture			<u>689,208</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through CDE:			
After School Dependent Care	93.575	03868	91,200
Medi-Cal	93.778	10013	63,408
Head Start - Basic [1]	93.600	10016	1,645,499
Head Start - Early Intervention [1]	93.600	10016	226,398
Total U.S. Department of Health and Human Services			<u>2,026,505</u>
Total Expenditures of Federal Awards			<u>\$3,941,857</u>

[1] Major program under OMB Circular A-133 guidelines.

See accompanying note to supplementary information.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2004**

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	348	349
First through third	1,128	1,127
Fourth through sixth	1,072	1,073
Seventh and eighth	679	680
Opportunity schools	14	14
Home and hospital	2	2
Special education	82	81
Total Elementary	3,324	3,326
		<b>Hours of Attendance</b>
<b>SUPPLEMENTAL HOURS</b>		
Core Instruction		20,838
Remedial Instruction		10,006
Pupils Retained/Recommended for Retention		13,834
Pupils at Risk of Retention		6,642
Low STAR Score		11,538
Total Hours		62,858

See accompanying note to supplementary information.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2004**

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<u>Grade Level</u>	1982-83	1986-87	2003-04	<u>Number of Days</u>		<u>Status</u>
	<u>Actual</u> <u>Minutes</u>	<u>Minutes</u> <u>Requirement</u>	<u>Actual</u> <u>Minutes</u>	<u>Traditional</u> <u>Calendar</u>	<u>Multitrack</u> <u>Calendar</u>	
Kindergarten	33,325	36,000	36,750	180	175	Complied
Grades 1 - 3	50,580	50,400	51,845	180	175	Complied
Grades 4 - 8	56,790	54,000	58,335	180	175	Complied

See accompanying note to supplementary information.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

Summarized below are the reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>QZAB Capital Projects</u>	<u>COP Capital Projects</u>	<u>QZAB Debt Service</u>	<u>COP Debt Service</u>
<b>FUND BALANCE</b>				
Balance, June 30, 2004, Unaudited Actuals	\$ -	\$ -	\$ -	\$ -
Cash in county treasury	<u>20,819</u>	<u>802,318</u>	<u>1,040,446</u>	<u>478,004</u>
Balance, June 30, 2004, Audited Financial Statement	<u>\$ 20,819</u>	<u>\$ 802,318</u>	<u>\$ 1,040,446</u>	<u>\$ 478,004</u>
				<u>General Long- Term Debt Account Group</u>
<b>GENERAL LONG-TERM LIABILITIES</b>				
Total Liabilities, June 30, 2004, Unaudited Actuals				\$ 11,495,840
Adjustments				
Increase in:				
Qualified Zone Academy bonds				120,000
Decrease in:				
General obligation bonds payable				(130,000)
Certificates of participation				<u>(185,000)</u>
Total Liabilities, June 30, 2004, Unaudited Actuals				\$ 11,495,840
Audited Financial Statement				<u>\$ 11,300,840</u>

See accompanying note to supplementary information.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004**

	(Budget) 2005 <sup>1</sup>	2004	2003	2002
<b>GENERAL FUND</b>				
Revenues	\$ 22,885,991	\$ 23,266,267	\$ 23,600,254	\$ 21,657,048
Other sources and transfers in	-	-	1,003,122	878,801
<b>Total Revenues     and Other Sources</b>	<u>22,885,991</u>	<u>23,266,267</u>	<u>24,603,376</u>	<u>22,535,849</u>
Expenditures	22,436,037	23,933,476	25,590,231	22,098,985
Other uses and transfers out	123,853	-	192,883	606,870
<b>Total Expenditures     and Other Uses</b>	<u>22,559,890</u>	<u>23,933,476</u>	<u>25,783,114</u>	<u>22,705,855</u>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	<u>\$ 326,101</u>	<u>\$ (667,209)</u>	<u>\$ (1,179,738)</u>	<u>\$ (170,006)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,049,534</u>	<u>\$ 1,723,433</u>	<u>\$ 2,390,642</u>	<u>\$ 3,570,380</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 1,626,797</u>	<u>\$ 721,800</u>	<u>\$ 1,201,259</u>	<u>\$ 1,309,157</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<u>7.2%</u>	<u>3.0%</u>	<u>4.7%</u>	<u>5.8%</u>
<b>LONG-TERM DEBT</b>	<u>Not Available</u>	<u>\$ 11,269,478</u>	<u>\$ 11,486,629</u>	<u>\$ 7,240,135</u>
<b>AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>3,327</u>	<u>3,324</u>	<u>3,271</u>	<u>3,131</u>

The General Fund balance has decreased by \$1,767,311 over the past two years. The fiscal year 2004-05 budget projects an increase of \$326,101 (18.9 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo). The Districts available reserves have dropped from near 6% two years ago to the minimum amount recommended by Department of Education. The District must closely monitor its operating budget and enrollment trends to ensure the reserves are maintained at a fiscally responsible level.

The District has incurred operating deficits in the past three years but anticipates incurring an operating surplus during the 2004-05 fiscal year. Total long-term debt has increased by \$4,029,343 over the past two years predominately due to the issuance of Certificates of Participation in 2003 for the construction of the administrative building.

Average daily attendance has increased by 193 ADA over the past two years. An increase of three ADA is anticipated during fiscal year 2004-05.

1 Budget 2005 is included for analytical purposes only and has not been subjected to audit.

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

See accompanying note to supplementary information.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**GENERAL FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND  
CHANGES OF FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004**

(Amounts in thousands)

	Actual Results for the Years					
	2003-2004		2002-2003		2001-2002	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$3,173	13.6	\$3,291	13.9	\$2,231	10.3
State and local revenue included in revenue limit	15,385	66.1	15,359	65.1	14,404	66.5
Other state revenue	2,995	12.9	3,187	13.5	3,175	14.7
Other local revenue	1,713	7.4	1,763	7.5	367	1.7
Tuition and transfers	-	-	-	-	1,480	6.8
Total Revenues	<u>23,266</u>	<u>100.0</u>	<u>23,600</u>	<u>100.0</u>	<u>21,657</u>	<u>93.2</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	12,186	52.4	12,230	51.8	10,525	48.6
Classified salaries	3,767	16.2	3,889	16.5	3,353	15.5
Employee benefits	3,666	15.8	3,522	14.9	2,577	11.9
Total Salaries and Benefits	19,619	84.3	19,641	83.2	16,455	76.0
Books and supplies	1,236	5.3	1,829	7.8	1,147	5.3
Contracts and operating expenses	2,614	11.2	3,044	12.9	2,783	12.9
Capital outlay	132	0.6	684	2.9	1,160	5.4
Other outgoing	332	1.4	392	1.7	554	2.6
Total Expenditures	<u>23,933</u>	<u>102.9</u>	<u>25,590</u>	<u>108.4</u>	<u>22,099</u>	<u>102.0</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(667)	(2.9)	(1,990)	(8.4)	(442)	(8.9)
OTHER FINANCING SOURCES/(USES)						
Transfers in	-	-	-	-	879	4.1
Transfers out	-	-	(193)	(0.8)	(607)	(2.8)
Other Sources	-	-	1,003	4.3	-	-
Total Other Financing Sources (Uses)	-	-	810	3.4	272	1.3
INCREASE/(DECREASE) IN FUND BALANCE	(667)	(2.9)	(1,180)	(5.0)	(170)	(7.6)
FUND BALANCE, BEGINNING	2,390		3,570		3,740	
FUND BALANCE, ENDING	<u>\$1,723</u>		<u>\$2,390</u>		<u>\$3,570</u>	
<b>BASE REVENUE LIMIT PER ADA</b>						
Regular K-12	<u>\$4,575</u>		<u>\$4,490</u>		<u>\$4,401</u>	

See accompanying note to supplementary information.



**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004**

(Amounts in thousands)

	Actual Results for the Years					
	2003-2004		2002-2003		2001-2002	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal - NSLP	\$ 677	55.8	\$ 590	52.8	\$ 527	51.4
State meal program	44	3.6	55	4.9	50	4.9
Food sales	493	40.6	473	42.3	449	43.8
Total Revenues	<u>1,214</u>	<u>100.0</u>	<u>1,118</u>	<u>100.0</u>	<u>1,026</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and employee benefits	534	44.0	538	48.1	455	44.3
Food	-	-	520	46.5	475	46.3
Supplies	655	54.0	81	7.2	50	4.9
Capital outlay	-	-	-	-	11	1.1
Other and transfers out	15	1.2	78	7.0	35	3.4
Total Expenditures	<u>1,204</u>	<u>99.2</u>	<u>1,217</u>	<u>108.9</u>	<u>1,026</u>	<u>100.0</u>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	10	<u>0.8</u>	(99)	<u>(8.9)</u>	-	-
FUND BALANCE, BEGINNING	19		118		118	
FUND BALANCE, ENDING	<u>\$ 29</u>		<u>\$ 19</u>		<u>\$ 118</u>	

\* \* \* \* \*

**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

	2003-2004		2002-2003		2001-2002	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHES</b>						
Paid	147,686	37.1	145,458	38.9	128,729	38.3
Reduced price	58,501	14.7	58,509	15.6	49,295	14.6
Free	192,213	48.2	170,428	45.5	158,492	47.1
Total Lunches	<u>398,400</u>	<u>100.0</u>	<u>374,395</u>	<u>100.0</u>	<u>336,516</u>	<u>100.0</u>
<b>BREAKFAST</b>						
Paid	11,954	12.5	13,702	15.4	12,657	15.3
Reduced price	15,063	15.8	12,960	14.6	11,151	13.4
Free	68,394	71.7	62,179	70.0	59,144	71.3
Total Breakfast	<u>95,411</u>	<u>100.0</u>	<u>88,841</u>	<u>100.0</u>	<u>82,952</u>	<u>100.0</u>

See accompanying note to supplementary information.

## **SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

### **K-3 CLASS SIZE REDUCTION REPORTING ERROR FOR THE YEAR ENDED JUNE 30, 2004**

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During our review of the District's Form J7CSR and supporting documentation, we found the District's tally of class sizes to be incorrect. This clerical error amounted to a net reduction in eligible classes of one from 81 to 80 and a net reduction in eligible students of two from 1,550 to 1,552.

Additionally, we found that students at the elementary sites that are placed on short-term independent study are not disenrolled from the regular attendance program and enrolled in the Independent Study program, therefore, these students are counted as being enrolled in the teachers class during the independent study duration which is not allowed per State compliance guidelines. This condition further reduced the number of eligible students by four to 1,544. The District's total funding will be reduced by \$5,436 from \$1,404,300 to \$1,398,864.

See accompanying note to supplementary information.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2004

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **A. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **B. Schedule of Average Daily Attendance (ADA)**

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

#### **C. Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer 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.

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

#### **D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

#### **E. 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.

#### **F. General Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2004**

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**G. Cafeteria Account Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the Cafeteria Account for the past three years.

**H. K-3 Class Size Reduction Reporting Error**

This schedule provides information required by the State Controller's Audit Guide when an error is made in reporting enrollment information on the J-7CSR form.

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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
Salida Union Elementary School District  
Salida, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salida Union Elementary School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Salida Union Elementary School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2004-1 through 2004-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Salida Union Elementary School District in a separate letter dated October 27, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salida Union Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

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

Vaurinok, Urine, Day & Co., LLP

Fresno, California  
October 27, 2004



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Salida Union Elementary School District  
Salida, California

Compliance

We have audited the compliance of Salida Union Elementary School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. Salida Union Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Salida Union Elementary School District's management. Our responsibility is to express an opinion on Salida Union Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Salida Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salida Union Elementary School District's compliance with those requirements.

In our opinion, Salida Union Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Salida Union Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Salida Union Elementary School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Vautrinak, Orine, Day & Co, LLP

Fresno, California  
October 27, 2004



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Trustees  
 Salida Union Elementary School District  
 Salida, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Salida Union Elementary School District is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Salida Union Elementary School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	6	Yes
Kindergarten continuance	3	Yes
Independent study	22	No (see below)
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County Offices of Education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class size reduction program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	9	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
Office of Criminal Justice Planning	-	Not Applicable

We did not perform testing for Independent Study because the ADA from the program was below the State recommended testing level.

Based on our audit, we found that for the items tested, the Salida Union Elementary School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Salida Union Elementary School District had not complied with the laws and regulations.

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

*Vavrinok, Irvine, Day & Co., LLP*

Fresno, California  
October 27, 2004

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.213C</u>	<u>Even Start</u>
<u>84.010</u>	<u>Title I - Basic</u>
<u>84.027</u>	<u>Special Education - Local Assistance</u>
<u>10.555, 10.553</u>	<u>Department of Agriculture Cluster</u>
<u>93.600</u>	<u>Head Start Cluster</u>

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

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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The following findings represent reportable conditions and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2004-1 30000

***Second Interim Financial Report***

Finding

We found that the beginning fund balance in the General Fund as reported in the Second Interim Financial Report. The beginning fund balance reported was \$2,204,544 while the prior year unaudited actuals ending fund balance was \$2,225,242. Additionally, an amount of \$10,698 was reported as a prior year audit adjustment but was actually an audit adjustment from the 2001-02 fiscal year. The actual General Fund audit adjustment for the 2002-03 fiscal year amounted to an increased fund balance of \$165,400. The net understatement of the beginning audited fund balance was \$175,400.

We also noted that the beginning fund balance in the Cafeteria Fund was misstated by \$16,946. The beginning fund balance per the prior year unaudited actuals and the audit report totaled \$18,790 but was reported on the Second Interim Financial Report at \$1,884.

A transfer was noted in the year-to-date actuals as being made from the Special Reserve-Other Than Capital Projects to the General Fund in the amount of \$784,028, however, this amount is not reflected in the Board Approved Operating Budget or the Projected Year Totals in either fund. If the transfer is a short-term loan that is to be paid back by year-end or set up as an interfund accrual, the transfer out from the General Fund should be reflected as well in the budget.

Recommendation

Care should be taken in the reporting of the District's interim financial conditions and certifications. The fund information should be reviewed for reasonableness including the beginning fund balance information. The actuals-to-date information should be carefully reviewed to the projected end of year figures as well as the current Board approved budget figures to be sure that they accurately reflect the District's expectations and projections.

District Response

The District will closely review the interim reports to ensure the fund balance information agrees to the prior year balances including any audit adjustments that need to be posted from the prior year. The actuals to date amounts will be closely compared to the actuals to date to determine if budget revisions are warranted.

*Second Interim 2004-05 was correct.  
Second Interim was correct after  
transfer involving cash  
difference between  
download problem*

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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2004-2 30000

### *Account Coding – Capital Assets*

#### Finding

We noted numerous amounts charged to the object code 6000's and/or function code 8500 that appear to be immaterial repairs rather than major repairs that would lengthen the useful life of a capitalized asset. Additionally, it is the District's policy to capitalize items over \$5,000 and therefore, unless payments less than \$5,000 are related to a project that is to be capitalized because it will total over \$5,000.

Towards the end of the fiscal year the District business office will need to ensure that the charges to the 6000 object codes as well as all 8500 function code charges balance to the fiscal year additions in the fixed asset depreciation system or to the balance of Work In Progress.

#### Recommendation

The District should run a detailed general ledger report of the 6000 object codes as well as the 8500 functions codes and review the detail for entries not relating to an asset to be capitalized and depreciated. These entries should be corrected before the County Office of Education closes out the general ledger.

#### District Response

The account codings have been reviewed and the necessary journal entries have been posted. Care will be taken to ensure that major clean up of the 6000 object and 8500 function codes will not be needed with proper initial codings.

2004-3 30000

### *District Office Cash Receipts*

#### Finding

During our testing of cash collections at the District office, we noted that a master log to record the deposits in a sequential order and pre-numbered receipts are maintained, however, the District does not reconcile the logs and receipts to the deposits between the employee who opens the mail and logs/receipts and the deposits who prepares the deposit.

#### Recommendation

The District should add a column to the log that would indicate the date of deposit made to the County or the clearing account. The employee making the deposit should not have access to the actual log file but should be given a hard copy to balance with. After the deposit is made and the log entries are balanced to the deposit to ensure that all funds are accounted for and were not lost, the log should be updated with the actual deposit date of the related checks.

*Requested copy of  
revised log. 5/16/05*

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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District Response

The auditors' recommendation has been implemented.

✓  
OK



**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance including questioned costs that were required to be reported by OMB Circular A-133.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

2004-4 40000

### *K-3 Class Size Reduction*

#### Finding

During our review of the District's Form J7CSR and supporting documentation, we found the District's tally of class sizes to be incorrect. This clerical error amounted to a net reduction in eligible classes of one from 81 to 80 and a net reduction in eligible students of two from 1,550 to 1,552.

Additionally, we found that students at the elementary sites that are placed on short-term independent study are not disenrolled from the regular attendance program and enrolled in the Independent Study program, therefore, these students are counted as being enrolled in the teachers class during the independent study duration which is not allowed per State compliance guidelines. This condition further reduced the number of eligible students by four to 1,544. The District's total funding will be reduced by \$5,436 from \$1,404,300 to \$1,398,864.

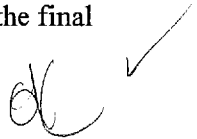
#### Recommendation

The District should amend the Form J7CSR per the revised copy left with them by the auditors. The total classes should total to 80 from 81; total students should total to 1,544 from 1,550; the average class size per teacher should total to 19.30 from 19.14; and the total apportionment should total \$1,398,864 from \$1,404,300.

Regarding the Independent Study students, the District should either 1.) recalculate the average daily class size excluding the number of days enrolled relating the Independent Study by teacher or 2.) instruct the sites to utilize the SASI instructional program IS to track these students have entered into an Independent Study contract. The students would be disenrolled from the regular class program and enrolled in the Independent Study program on SASI. This would ensure no enrollment would be counted, as outlined by State compliance standards, for students on Independent Study.

#### District Response

The J7CSR form has been revised. Someone other than the initial preparing will review the final summation of class sizes.



**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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2004-5 10000

*Second Period Attendance Report (P-2)*

Finding

We noted that the Home & Hospital program average daily attendance (ADA) for the Dena Boer site was inadvertently excluded from the ADA as reported for Home & Hospital on Line A-8 of the P-2.

Recommendation

Line A-8 of the originally filed P-2 should be revised from .88 to 1.59 to include the .71 ADA related to the Dena Boer sites' Home & Hospital ADA. The increase of .71 ADA will net an increase in Revenue Limit funding of \$3,248.33 (.71 ADA X \$4,575.11 revenue limit funding per ADA). The District should amend the P-2 report and submit a copy to the County Office of Education, Department of Education, and to the auditors for verification.

District Response

The Second Period attendance report has been revised and filed with the necessary agencies.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### Financial Statement Findings

2003-1    30000

*Associated Student Body – Dena Boer*

*Cash Count Sheet*

#### Finding

Cash deposits forwarded from teachers or advisors to the associated student body bookkeeper are not always accompanied by a cash count sheet documenting the deposit total as counted by the teacher or advisor.

#### Recommendation

The cash count sheet serves the same purpose as a bank deposit slip, it provides for a reconciliation process since the deposit is usually not verified with both parties present. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. This procedure decreases the number of disputes arising from deposits processed incorrectly.

#### Current Status

Implemented. ✓

2003-2    30000

*Cash Receipts*

#### Finding

It appears that the site does not provide adequate controls over cash receipts. We noted during our testing that:

- Prenumbered receipts are not used consistently to account for cash collections
- For three selected deposits, the receipts did not agree to the bank deposit
- There is no reconciliation between issued receipts and bank deposits.

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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Recommendation

Prenumbered receipts should be issued for all cash collections by teacher, advisors and the site book keeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the book keeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the book keeper should be totalled and reconciled to the current bank deposit. Obviously, a system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit. The basic premise of a cash receipts system is that the receipts are written at the time the cash is collected and not at the time the deposit is being made. If the receipts are written at this time, the book keeper would have no way of knowing if money is misplaced or has been stolen.

Current Status

Implemented. ✓

**2003-3 30000**

***Revenue Potentials***

Finding

Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fund-raiser and to track money as it is spent and received.

Recommendation

The revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fund-raiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. For the fundraiser that lasts all year, we recommend that new revenue be filled out monthly, or at least quarterly, thus ensuring that the number of items purchased have been updated, and the current receipts have been documented.

Current Status

Implemented. ✓

**SALIDA UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**2003-4 30000**

*District Office*

*Cash Disbursements*

Finding

Although procedures have been implemented to strengthen the controls over purchasing we still noted expenditures that appeared to be ordered or initiated prior to approvals from department heads independent of purchasing. Some appeared to be internet orders that were initiated that may not have been finalized over the internet prior to the purchase requisitions being approved however, this could not be verified as the date that appears on the order was the initiation date and not the final processing date.

Recommendation

The District should continue to monitor and implement the system designed based on the 2001-02 findings in order to ensure that no orders or purchases are placed or initiated prior to the purchase requisition being approved by all required personnel/administrators.

Current Status

Implemented. ✓

*State Award Findings*

**2003-5 10000**

*Form J7-CSR*

Finding

We noted that the J-7CSR was not completed accurately. Classes in Grades Two, Three, and the Combined classes were inaccurately reported within the wrong class size category. In Grade Two, there were three classes of sixteen students instead of four. For grade Three, there were four classes of fourteen students instead of three, one class of sixteen students instead of none, and seven classes of twenty instead of eight. The combined classes were total eligible students of twenty-four instead of twenty-one. The net effect was to reduce the number of students report by three students for a total questioned cost of \$2,718.

Recommendation

The District should file an amended J-7CSR claim.

# SALIDA UNION ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### Current Status

Not implemented. See current year findings and recommendations.

2003-6 40000

### *Second Period Attendance Report (P-2)*

#### Finding

During our examination of the P-2 we noted that the ADA on

Line A-3 (Grade 4-6) was 1,067.82 and should be 1069.47

Line A-4 (Grade 7-8) was 631.12 and should be 634.76

Line A-7 (Opportunity School) was 8.85 and should be 9.88

Line A-9 (Special Education – Special Day Class) was 71.15 and should be 71.40

Total ADA was understated by 6.57 ADA. This error was due to the spreadsheet used by the District to complete the P-2. The P-2 having the incorrect number of days taught during the P-2 period. The District used 139 instead of 138 days taught. The understatement amounts to \$29,500 in revenue limit funding.

#### Recommendation

The District should revise the Second Period Attendance Report (P-2) as outlined above and submit the revision to the Department of Education and the County Office of Education. The District should utilize the SASI report, ATP53, Attendance Monthly Summary when completing the Second Period Attendance Report (P-2).

#### Current Status

Not implemented. See current year findings and recommendations.