

SALIDA UNION SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SALIDA UNION SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Salida Union School District
Salida, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12, and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 59 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida Union School District's basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the Salida Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salida Union School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co, LLP

Fresno, California
December 11, 2015



Salida Union School District

District Superintendent
Twila Tosh

Board of Trustees
Dennis Thompson
Virginia Berry
Ivan Wyeth, II
Dr. Gary Dew
Nanci E. Fox

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2015

This management's discussion and analysis of Salida Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. This is the District management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

Salida Union School District

Salida is located in California's San Joaquin Valley in the northwest portion of Stanislaus County and covers an area of approximately 31 square miles. Most of the District encompasses unincorporated territory, including the community of Salida, a portion of the District includes territory in the northern portion of the City of Modesto.

Enrollment in the 2014-2015 fiscal year totaled 2,502. There are currently five K-8 schools within the District consisting of three elementary schools, one middle school and one charter school. Students graduating from the Salida Union School District attend high school in the Modesto High School District.

The Management's Discussion and Analysis consists of five sections:

- **Overview of the Financial Statements** - serves as a guide to reading the financial statements provided in the sections following the Management's Discussion and Analysis.
- **Financial Analysis of the District as a Whole**
- **Financial Analysis of the District's Funds** - including a sub-section on the District's General Fund.
- **Capital Asset and Debt Administration** - a look at the District's investment in capital assets and its level of debt.
- **Factors bearing on the District's Financial Future** - a discussion of issues management see as relevant to the future financial health of the District.

SALIDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the District:

- Government-Wide. The first two statements are Government-wide financial statements that provide both short- and long-term information about the District's overall financial status. Because they include all district funds, certain inter-fund and other types of transactions that net to zero have been eliminated so that Government-wide revenues and expenditures are not artificially inflated.
- Fund-Level. The remaining statements are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements. These notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a budgetary comparison of the District's budget for the year.

In the Government-wide financial statements, activities are shown as Governmental activities. The fund-level financial statements provide more detailed information about the District's most significant funds—not the District as a whole. The District has two kinds of funds:

- Governmental Funds—Most of the District's basic services are included in governmental funds, the General Fund being the largest fund in this category. Funds included in the grouping of Governmental funds are those activities that are unique to the special mission of a governmental organization, such as a public school district.
- Fiduciary Funds—If the District is the trustee for assets that belong to others, such as the student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Their activities are excluded from the Government-wide financial statements because the District could not use those assets to finance its operations.

When using these financial statements to assess the overall health of the District you also need to consider additional non-financial factors, such as the condition of school buildings and other facilities, and enrollment trends.

**SALIDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: A second view in the analysis of the District is to look at the change in net position as shown on Table 1. Net position represents the portion of total assets actually owned free and clear by the District. The District's total net position for the year ending June 30, 2015, was \$8.1 million.

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Therefore, much of the land owned by the District is valued on the District's books at what is potentially below current market value because much of it was acquired decades ago. This valuation is consistent with accounting rules set forth by the Governmental Accounting Standards Board.

Buildings are recorded at cost of original construction and then depreciated. They are not recorded at present market value.

Net position is a frequent indicator of the financial health of an organization, as assets could be sold and net proceeds used to fund operations. While the land and buildings owned by the District contribute to its net position, because of the nature of its operations the District will be utilizing the vast majority of these assets for the foreseeable future. With limited exceptions, they are not available as assets that could be liquidated; however, they are still a partial indication of the overall financial health of the District.

Table 1 - Statement of Net Position

(Amounts in millions)	Governmental Activities		
	2015	Restated 2014	Variance
Assets			
Current and other assets	\$ 8.1	\$ 8.7	\$ (0.6)
Capital assets	31.5	33.2	(1.7)
Total Assets	<u>39.6</u>	<u>41.9</u>	<u>(2.3)</u>
Deferred Outflows of Resources	<u>1.5</u>	<u>1.3</u>	<u>0.2</u>
Liabilities			
Current liabilities	0.8	1.5	(0.7)
Long-term obligations other than pensions	10.4	12.8	(2.4)
Net pension liability	17.1	21.6	(4.5)
Total Liabilities	<u>28.3</u>	<u>35.9</u>	<u>(7.6)</u>
Deferred Inflows of Resources	<u>4.7</u>	<u>-</u>	<u>4.7</u>
Net Position			
Net investment in capital assets	21.2	20.6	0.6
Restricted	0.9	1.1	(0.2)
Unrestricted	(14.0)	(14.4)	0.4
Total Net Position	<u><u>\$ 8.1</u></u>	<u><u>\$ 7.3</u></u>	<u><u>0.8</u></u>

**SALIDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015

Table 2 is another view of Net Position and how operations of the District impacts Net Position. Revenue minus expenses will equal the change in Net Positions from year to year. This table looks at revenue and expenses as they are broken out by the various functions performed by the District.

Table 2 - Statement of Net Activities

(Amounts in millions)	Governmental Activities		
	2015	2014	Variance
Revenues			
General Revenues:			
Federal and State Aid Not Restricted	\$ 16.9	\$ 14.1	\$ 2.8
Property Taxes	3.7	3.2	0.5
Other	2.0	1.3	0.7
Program Revenues:			
Charges for Services	0.2	0.3	(0.1)
Categorical Revenues	6.8	6.5	0.3
Capital Grants	- ¹	- ¹	-
Total Revenues	<u>29.6</u>	<u>25.4</u>	<u>\$ 4.2</u>
Expenses			
Instruction Related	18.0	16.1	1.9
Pupil Services	3.4	3.2	0.2
General Administration	1.8	1.5	0.3
Plant Services	2.7	2.6	0.1
Community Services	2.4	2.1	0.3
Other	0.5	1.1	(0.6)
Total Expenses	<u>28.8</u>	<u>26.6</u>	<u>2.2</u>
Change in Net Position	<u>\$ 0.8</u>	<u>\$ (1.2)</u>	<u>\$ 2.0</u>

¹ Balances of less than \$50,000 are rounded down to zero in this table.

**SALIDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance: The first view in the analysis of the District as a whole is fund balance and the changes that occurred during the fiscal year. The combined total of all fund balances decreased during 2014-2015 as in Table 3 of Ending Fund Balances below.

Table 3 - Ending Fund Balances

(Amounts in millions)

Fund	June 30, 2015	June 30, 2014
General	\$ 4.7	\$ 4.2
Charter	0.1	0.2
Child Development	- ¹	- ¹
Cafeteria	0.1	0.2
Deferred Maintenance	0.1	0.1
Building	- ¹	- ¹
Capital Facilities	0.2	0.1
County School Facilities	- ¹	- ¹
Special Reserve Capital Projects	2.1	2.5
Bond Interest and Redemption	0.1	0.1
Total Fund Balances	<u>\$ 7.4</u>	<u>\$ 7.4</u>

¹ Balances of less than \$50,000 are rounded down to zero in this table.

Core Operating Funds: The core operating funds of the district consist of the General Fund, Charter School Special Revenue Fund, Child Development Fund, and Cafeteria Fund.

The General Fund balance increased \$0.5 million including making a \$1.0 million contribution for the required QZAB payment.

The Charter School's revenue has been increasing each year as enrollment grows but experienced a decline in its ending fund balance of \$66 thousand during the year.

The Child Development fund is a self-supporting program with a small reserve balance.

The Cafeteria Fund continues operating outside catering services which attribute to positive fund balance however the fund did experience a \$122 thousand decrease during the year.

The District's capital funds are: Capital Facilities, County Schools Facilities, and Special Reserve for Capital Projects. The combined balances of these funds have decreased by approximately \$374 thousand mainly due to the completion of the QZAB project which was financed for energy efficiency and technology and the payment of the QZAB obligation.

- Refer to Table 1 for all "Governmental Fund" ending balances.

**SALIDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

The District receives revenue for the General Fund from several sources. The primary revenue source as shown in Figure 1 is the Local Control Funding Formula from the State of California. As the State of California transitions into its plan to fully implement the Local Control Funding Formula the District relies heavily on these increases to education.

As a school district the main priority is education of its students. The primary functions of the District are Instruction, Instruction Related Activities, Pupil Services, and Plant Services. As noted in Figure 2 below, 72 percent of the District's expenditures are for instruction and expenditures related to instruction. It is also important to note that General Administration only accounts for seven percent of the total expenditures. You will also note in Figure 3 that employee salaries and benefits consume 75 percent of total expenditures. The tables below reflect only the General Fund activity.

Figure 1

Revenue Limit	%	Value
LCFF Revenue	80%	\$18,411,598
Federal	4%	1,076,269
State	7%	1,982,590
Local/Other	9%	2,154,526
TOTAL	100%	\$23,624,983

Figure 2

Expenditures by Function	%	Value
Instruction	65%	\$14,414,915
Instruction Related	7%	1,632,216
Pupil Services	5%	1,149,525
General Admin	7%	1,509,250
Plant Services	11%	2,383,637
Community Services	3%	588,950
All Other	2%	473,533
TOTAL	100%	\$22,152,026

Figure 3

Expenditures by Object	%	Value
Certificated Salaries	45%	\$10,060,186
Classified Salaries	15%	3,399,868
Employee Benefits	15%	3,237,887
Books and Supplies	6%	1,322,872
Services	17%	3,762,793
Capital Outlay/Other	2%	368,420
TOTAL	100%	\$22,152,026

The District originally budgeted for a \$0.7 million loss in the General Fund. Revenues and other sources ended the year \$2.4 million above what was originally budgeted and expenditures and other outgo ended \$1.7 million more than was budgeted, therefore, the General Fund decreased only slightly.

**SALIDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: At June 30, 2015, the District had \$31.5 million in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease of approximately \$1.7 million.

Table 4 - Capital Assets

(Amounts in millions)

	Governmental Activities		
	2015	Restated 2014	Variance
Land	\$ 7.6	\$ 7.6	\$ -
Land Improvements	0.2	0.2	-
Buildings and Improvements	23.3	25.0	(1.7)
Equipment	0.4	0.3	0.1
Construction in Progress	-	0.1	(0.1)
Total	\$ 31.5	\$ 33.2	\$ (1.7)

Depreciation of \$1.9 million was recognized during the year.

Long-Term Obligations Other Than Pensions: At year end, the District had \$10.4 million in long-term obligations other than pensions outstanding versus \$12.8 in 2014-2015. This is a decrease of \$2.4 million. Below is a list of these obligations.

Table 5 - Long-Term Obligations Other Than Pensions

(Amounts in millions)

	Governmental Activities		
	2015	2014	Variance
General Obligation Bonds	\$ 0.6	\$ 0.7	\$ (0.1)
Certificates of Participation	5.4	5.6	(0.2)
Qualified Zone Academy Bond	4.3	6.4	(2.1)
Early Retirement Incentive Plan	0.1	0.1	-
Compensated Absences	- ¹	- ¹	-
Total	\$ 10.4	\$ 12.8	\$ (2.4)

¹ Balances of less than \$60,000 are rounded down to zero in this table.

Net Pension Liability (NPL): The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of \$20.3 million. As of June 30, 2015, the District reported Deferred Outflows from pension activities of \$1.5 million, Deferred Inflows from pension activities of \$4.7 million, and a Net Pension Liability of \$17.1 million.

SALIDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

The State's economy is a major contributing factor that affects the District's financial well-being. The primary revenue source for the District is the Local Control Funding Formula from the State of California. The District relies on the substantial increases provided to education as its main source of funding.

- **Challenges:** At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:
 - Decline in the district enrollment. Declining enrollment has been a prevailing factor since 2007. We continue to monitor enrollment from year to year and make necessary adjustments both during the year and when making projections for future years.
 - It is currently unknown as to the effect of the Affordable Health Care. The District strives to control future costs that may be incurred because of this program.
 - Rising pension costs of both CalSTRS and CalPERS are a great concern to the District as these costs will be increasing at a rapid rate in future years. Budget adjustments have been made accordingly.
- **Strengths:** There are also factors that work in the District's favor when looking at the long-term financial future of Salida Union School District:
 - Health insurance cost containment. It should be noted that two significant challenges facing many districts, rising health costs and escalating retiree benefit obligations, are not factors for the District as these were capped many years ago.
 - Experienced Leadership and Staff. The District enjoys stability in its Board of Education and has the benefit of both an experienced and highly capable certificated and classified staff.
 - Employee relations. The District has an excellent relationship with its employee organizations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of Sue Tallcott, Salida Union School District, 4801 Sisk Road, Salida, CA 95368 or (209) 545-0339.

SALIDA UNION SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 6,848,097
Receivables	1,125,220
Prepaid expenses	32,624
Stores inventories	73,100
Nondepreciable capital assets	7,578,569
Capital assets being depreciated	59,687,226
Accumulated depreciation	(35,763,895)
Total Assets	<u>39,580,941</u>
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	<u>1,465,314</u>
Total Deferred Outflows of Resources	<u>1,465,314</u>
LIABILITIES	
Accounts payable	696,819
Unearned revenue	26,232
Current portion of long-term obligations other than pensions	460,000
Noncurrent portion of long-term obligations other than pensions	9,979,540
Aggregate net pension liability	17,127,387
Total Liabilities	<u>28,289,978</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	<u>4,655,767</u>
Total Deferred Inflows of Resources	<u>4,655,767</u>
NET POSITION	
Net investment in capital assets	21,182,533
Restricted for:	
Debt service	114,179
Capital projects	168,689
Educational programs	517,471
Other activities	73,100
Unrestricted	(13,955,462)
Total Net Position	<u>\$ 8,100,510</u>

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

SALIDA UNION SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 16,198,663	\$ 90,517	\$ 1,950,463	\$ 254
Instruction-related activities:				
Supervision of instruction	482,675	4,997	170,943	-
Instructional library, media, and technology	182,965	-	49,139	-
School site administration	1,188,975	-	533	-
Pupil services:				
Home-to-school transportation	523,407	-	-	-
Food services	2,136,300	116,190	1,935,421	-
All other pupil services	754,731	3,169	133,195	-
Administration:				
Data processing	174,219	-	-	-
All other administration	1,577,594	3,643	166,099	-
Plant services	2,675,803	2,403	144,830	-
Ancillary services	874	-	-	-
Community services	2,384,216	-	2,106,439	-
Interest on long-term obligations	59,355	-	-	-
Other outgo	470,706	11,937	118,752	-
Total Governmental Activities	\$ 28,810,483	\$ 232,856	\$ 6,775,814	\$ 254

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

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

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

**Governmental
Activities**

\$ (14,157,429)

(306,735)

(133,826)

(1,188,442)

(523,407)

(84,689)

(618,367)

(174,219)

(1,407,852)

(2,528,570)

(874)

(277,777)

(59,355)

(340,017)

(21,801,559)

3,366,352

122,628

168,086

16,935,546

75,189

1,944,077

22,611,878

810,319

7,290,191

\$ 8,100,510

SALIDA UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
ASSETS			
Deposits and investments	\$ 4,823,695	\$ -	\$ 1,518,773
Receivables	592,031	321,093	80,152
Due from other funds	315,685	105	500,000
Prepaid expenditures	31,291	-	1,333
Stores inventories	-	73,100	-
Total Assets	<u>\$ 5,762,702</u>	<u>\$ 394,298</u>	<u>\$ 2,100,258</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 539,719	\$ 49,038	1,614
Due to other funds	516,434	272,160	-
Unearned revenue	-	-	-
Total Liabilities	<u>1,056,153</u>	<u>321,198</u>	<u>1,614</u>
Fund Balances:			
Nonspendable	41,291	73,100	-
Restricted	391,087	-	-
Committed	-	-	-
Assigned	1,356,927	-	2,098,644
Unassigned	2,917,244	-	-
Total Fund Balances	<u>4,706,549</u>	<u>73,100</u>	<u>2,098,644</u>
Total Liabilities and Fund Balances	<u>\$ 5,762,702</u>	<u>\$ 394,298</u>	<u>\$ 2,100,258</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 505,629	\$ 6,848,097
131,944	1,125,220
16,329	832,119
-	32,624
-	73,100
\$ 653,902	\$ 8,911,160

\$ 106,448	\$ 696,819
43,525	832,119
26,232	26,232
176,205	1,555,170

-	114,391
409,885	800,972
67,812	67,812
-	3,455,571
-	2,917,244
477,697	7,355,990

\$ 653,902	\$ 8,911,160
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SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds		\$ 7,355,990
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
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	\$ 67,265,795	
Accumulated depreciation is	<u>(35,763,895)</u>	
Net Capital Assets		31,501,900
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		1,465,314
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(4,655,767)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	585,000	
Certificates of Participation	5,460,000	
Qualified Zone Academy Bonds	4,275,000	
Early Retirement Incentive Program	60,000	
Compensated absences	59,540	
Net pension liability	<u>17,127,387</u>	
Total Long-Term Obligations		<u>(27,566,927)</u>
Total Net Position - Governmental Activities		<u><u>\$ 8,100,510</u></u>

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

SALIDA UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund
REVENUES			
Local Control Funding Formula	\$ 18,411,598	\$ -	\$ -
Federal sources	1,076,269	1,466,347	-
Other State sources	1,982,590	171,840	-
Other local sources	2,154,526	532,977	1,193,912
Total Revenues	23,624,983	2,171,164	1,193,912
EXPENDITURES			
Current			
Instruction	14,414,915	-	-
Instruction-related activities:			
Supervision of instruction	478,896	-	-
Instructional library, media and technology	181,338	-	-
School site administration	971,982	-	-
Pupil services:			
Home-to-school transportation	405,268	-	-
Food services	-	2,167,186	-
All other pupil services	744,257	-	-
Administration:			
Data processing	174,219	-	-
All other administration	1,335,031	47,570	-
Plant services	2,383,637	42,880	2,404
Facility acquisition and construction	1,990	36,098	49,025
Ancillary services	837	-	-
Community services	588,950	-	-
Other outgo	470,706	-	-
Debt service			
Principal	-	-	2,220,000
Interest and other	-	-	310,476
Total Expenditures	22,152,026	2,293,734	2,581,905
Excess (Deficiency) of Revenues Over Expenditures	1,472,957	(122,570)	(1,387,993)
Other Financing Sources (Uses)			
Transfers in	16,329	105	1,000,000
Transfers out	(1,000,468)	-	-
Net Financing Sources (Uses)	(984,139)	105	1,000,000
NET CHANGE IN FUND BALANCES	488,818	(122,465)	(387,993)
Fund Balance - Beginning	4,217,731	195,565	2,486,637
Fund Balance - Ending	\$ 4,706,549	\$ 73,100	\$ 2,098,644

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 654,149	\$ 19,065,747
1,370,669	3,913,285
327,387	2,481,817
137,866	4,019,281
<u>2,490,071</u>	<u>29,480,130</u>
510,830	14,925,745
-	478,896
-	181,338
73,768	1,045,750
-	405,268
-	2,167,186
4,655	748,912
-	174,219
90,177	1,472,778
95,686	2,524,607
-	87,113
-	837
1,625,007	2,213,957
-	470,706
80,000	2,300,000
34,752	345,228
<u>2,514,875</u>	<u>29,542,540</u>
<u>(24,804)</u>	<u>(62,410)</u>
363	1,016,797
<u>(16,329)</u>	<u>(1,016,797)</u>
<u>(15,966)</u>	<u>-</u>
<u>(40,770)</u>	<u>(62,410)</u>
518,467	7,418,400
<u>\$ 477,697</u>	<u>\$ 7,355,990</u>

SALIDA UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ (62,410)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlay 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 Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.

This is the amount by which depreciation outlay exceeds capital outlay in the period.

Capital outlay	\$ 219,225	
Depreciation expense	(1,922,773)	
Net Expense Adjustment		(1,703,548)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$13,842. (13,842)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (28,254)

An early retirement incentive offered by the District is reported as a long-term obligation in the Statement of Net Position and is recognized currently in the Statement of Activities. 32,500

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds		80,000
Certificates of participation		100,000
Qualified zone academy bond		2,120,000

Interest on long-term obligations 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. 285,873

Change in Net Position of Governmental Activities **\$ 810,319**

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

SALIDA UNION SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 143,281
Total Assets	<u>\$ 143,281</u>
 LIABILITIES	
Due to student groups	\$ 143,281
Total Liabilities	<u>\$ 143,281</u>

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Salida Union School District (the District) was established in 1949 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one middle school, and one charter school.

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 School District, this includes general operations, food service, and student related activities of the District.

Other Related Entities

Charter School The District has an approved Charter for Independence Charter School pursuant to *Education Code* Section 47605. The Independence Charter School is operated by the District, and its financial activities are presented in the Charter School Fund.

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 and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$338,136, \$338,136, and \$3,733, respectively.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Charter Schools Fund The Charter Schools Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

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. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. 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, except for depreciation. 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their use.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Governmental Funds All governmental funds are accounted for using the 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 balances 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2015, 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. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures 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 incurred.

Stores Inventories

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 funds and expenses in the proprietary funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. 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 in the government-wide statement of net position. The valuation basis for capital assets is 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.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Depreciation is computed using 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 column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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 governmental funds.

However, claims and judgments and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for current year pension contributions.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or designee may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Minimum Fund Balance Policy

While GASB Code Section 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization agreement, GASB Code Section 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements if they have been adopted by the Board of Trustees. At June 30, 2015, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$873,439 of restricted net position.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

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.

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.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$20,289,586. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 6,848,097
Fiduciary funds	143,281
Total Deposits and Investments	<u>\$ 6,991,378</u>

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

Cash on hand and in banks	\$ 317,070
Cash in revolving	10,000
Investments	6,664,308
Total Deposits and Investments	<u>\$ 6,991,378</u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More Than 60 Months</u>
County Pool	\$ 6,563,714	\$ -	\$ 6,563,714	\$ -	\$ -
U.S. Treasury Obligations	56,546	56,546	-	-	-
Total	<u>\$ 6,620,260</u>	<u>\$ 56,546</u>	<u>\$ 6,563,714</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool and the U.S. Treasury obligations are not required to be rated, nor have they been rated as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 214,255	\$ 200,242	\$ -	\$ 27,092	\$ 441,589
State Government					
State principal apportionment	13,105	-	-	559	13,664
Other state	310,284	24,510	-	87,860	422,654
Local Sources	54,387	96,341	80,152	16,433	247,313
Total	<u>\$ 592,031</u>	<u>\$ 321,093</u>	<u>\$ 80,152</u>	<u>\$ 131,944</u>	<u>\$ 1,125,220</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	July 1, 2014 as Restated	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 7,578,569	\$ -	\$ -	\$ 7,578,569
Construction in progress	130,547	-	130,547	-
Total Capital Assets Not Being Depreciated	<u>7,709,116</u>	<u>-</u>	<u>130,547</u>	<u>7,578,569</u>
Capital Assets being depreciated				
Land improvements	259,296	-	-	259,296
Buildings and improvements	56,477,252	146,225	-	56,623,477
Furniture and equipment	2,609,406	203,547	8,500	2,804,453
Total Capital Assets Being Depreciated	<u>59,345,954</u>	<u>349,772</u>	<u>8,500</u>	<u>59,687,226</u>
Less Accumulated Depreciation				
Land improvements	55,874	17,286	-	73,160
Buildings and improvements	31,506,714	1,836,308	-	33,343,022
Furniture and equipment	2,287,034	69,179	8,500	2,347,713
Total Accumulated Depreciation	<u>33,849,622</u>	<u>1,922,773</u>	<u>8,500</u>	<u>35,763,895</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,205,448</u>	<u>\$ (1,573,001)</u>	<u>\$ 130,547</u>	<u>\$ 31,501,900</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instructional	\$ 1,192,119
School Administration	134,594
Transportation	115,366
Food Services	57,683
Community Services	153,822
All Other General Administration	96,139
Plant Maintenance and Operations	173,050
Total Depreciation Expenses, Governmental Activities	<u>\$ 1,922,773</u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 315,685	\$ 516,434
Cafeteria	105	272,160
Special Reserve Capital Outlay	500,000	-
Total Major Governmental Funds	<u>815,790</u>	<u>788,594</u>
Non-Major Governmental Fund		
Charter School	16,329	43,525
Total All Governmental Funds	<u>\$ 832,119</u>	<u>\$ 832,119</u>

The General Fund owes the Special Reserve Capital Outlay Fund for debt reserves.	\$ 500,000
The General Fund owes the Cafeteria Fund for negative meal expenses.	105
The Charter School Fund owes the General Fund for indirect costs.	27,196
The Cafeteria Fund owes the General Fund for indirect costs.	47,570
The Cafeteria Fund owes the General Fund for a temporary loan of cash.	224,590
The General Fund owes the Charter School Fund for correction of an error.	16,329
The Charter School Fund owes the General Fund for correction of an error.	16,329
Total	<u>\$ 832,119</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015, consisted of the following:

The Charter Fund transferred to the General Fund for payback of a previous years audit finding that found the Charter ADA to be unsubstantiated.	\$	16,329
The General Fund transferred to the Cafeteria Fund to cover the costs of deficit student meal balances.		105
The General Fund transferred to the Building Fund to cover the cost of negative interest charges.		363
The General Fund transferred to the Special Reserve Capital Outlay Fund for the costs of the Pirrone Road project and the Energy Efficiency project.		<u>1,000,000</u>
Total Interfund Transfers	\$	<u><u>1,016,797</u></u>

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2015, consist of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total
Technology contracts	\$ 32,624	\$ -	\$ 32,624
Other expenditures	-	1,333	1,333
Total	<u>\$ 32,624</u>	<u>\$ 1,333</u>	<u>\$ 33,957</u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 78,296	\$ 19,022	\$ 1,614	\$ 21,766	\$ 120,698
Accrued salaries	439,268	30,016	-	82,934	552,218
State principal apportionment	22,155	-	-	1,748	23,903
Total	<u>\$ 539,719</u>	<u>\$ 49,038</u>	<u>\$ 1,614</u>	<u>\$ 106,448</u>	<u>\$ 696,819</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	Non-Major Governmental Funds
Federal financial assistance	<u>\$ 26,232</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds	\$ 665,000	\$ -	\$ 80,000	\$ 585,000	\$ 85,000
Certificates of Participation	5,560,000	-	100,000	5,460,000	205,000
Early Retirement Incentive Plan	92,500	-	32,500	60,000	20,000
Compensated absences	45,698	13,842	-	59,540	-
Qualified Zone Academy Bond	6,395,000	-	2,120,000	4,275,000	150,000
Total	<u>\$ 12,758,198</u>	<u>\$ 13,842</u>	<u>\$ 2,332,500</u>	<u>\$ 10,439,540</u>	<u>\$ 460,000</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Special Reserve Capital Outlay Fund makes payments for the Certificates of Participation and QZAB. The accrued vacation and early retirement incentive will be paid by the fund for which the employee worked.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2014	Redeemed	Bonds Outstanding June 30, 2015
1988	2021	5.5-5.6	\$ 1,500,000	\$ 665,000	\$ 80,000	\$ 585,000
Total				\$ 665,000	\$ 80,000	\$ 585,000

Debt Service Requirements to Maturity

The bonds mature through 2021 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 85,000	\$ 29,837	\$ 114,837
2017	90,000	25,025	115,025
2018	95,000	19,938	114,938
2019	100,000	14,575	114,575
2020	105,000	8,938	113,938
2021	110,000	3,025	113,025
Total	\$ 585,000	\$ 101,338	\$ 686,338

Certificates of Participation

2003B Certificates of Participation Issuance

In March 2003, the District issued certificates of participation in the amount of \$1,880,000 with interest rates ranging from 4.1 to 4.85 percent. As of June 30, 2015, the principal balance outstanding was \$1,065,000.

The certificates mature through 2023 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 105,000	\$ 64,433	\$ 169,433
2017	115,000	58,080	173,080
2018	120,000	51,123	171,123
2019	130,000	43,863	173,863
2020	135,000	35,998	170,998
2021-2023	460,000	56,568	516,568
Total	\$ 1,065,000	\$ 310,065	\$ 1,375,065

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2010 Refunding Certificates of Participation Issuance

In April 2010, the District issued certificates of participation in the amount of \$4,395,000 with interest rates ranging from 3.25 to 4.6 percent to refund the District's 2001 and 2003A Certificates of Participation. As of June 30, 2015, the principal balance outstanding was \$4,395,000.

The certificates mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 100,000	\$ 208,520	\$ 308,520
2017	105,000	205,270	310,270
2018	110,000	201,595	311,595
2019	110,000	197,525	307,525
2020	115,000	193,125	308,125
2021-2025	650,000	889,940	1,539,940
2026-2030	820,000	723,000	1,543,000
2031-2035	1,050,000	496,250	1,546,250
2036-2040	1,335,000	207,000	1,542,000
Total	<u>\$ 4,395,000</u>	<u>\$ 3,322,225</u>	<u>\$ 7,717,225</u>

Early Retirement

The District offered an early retirement incentive program (ERIP) for employees who retire from their position at the end of the 2009-2010 school year. The notice of retirement must be irrevocable, in writing, and given to the District no later than February 1, 2010. To be eligible to participate in the program, an employee must have been a seven (7) hour employee or one (1) FTE and have at least 15 years of service as an employee in the Salida Union School District. The retirement incentive for employees with at least fifteen (15) years of service as an employee in the District shall consist of payment of \$37,500, in five (5) annual installments of \$7,500 each. Employees with at least twenty-five (25) years of service as an employee in the District shall receive \$50,000, paid in five (5) annual installments of \$10,000 each.

The remaining payments are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2016	\$ 20,000
2017	20,000
2018	20,000
Total	<u>\$ 60,000</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2015, amounted to \$59,540.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Qualified Zone Academy Bonds

2001 Qualified Zone Academy Bonds

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 initially deposited \$870,596 in a trustee account that has been invested in an AIG Guaranteed Investment Contract paying 6.1209 percent. The interest earnings of the deposit have been sufficient to cover the entire maturing principal balance at May 23, 2015.

2012 Qualified Zone Academy Bonds

On December 1, 2012, the District issued \$4,545,000 in Qualified Zone Academy Bond. The Bond was issued to finance the acquisition, constructions, installation, modernization and equipping of energy conservation projects through the geographic boundaries of the District. The 2012 Qualified Zone Academy Bond has interest rates ranging from 3.25 to 6.25 percent. Interest is payable on the Certifications each August 1, commencing August 1, 2013. Principal amounts on the Qualified Zone Academy Bond will be due on August 1, commencing August 1, 2013.

The 2012 Qualified Zone Academy Bond matures through 2036 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 150,000	\$ 219,175	\$ 369,175
2017	165,000	213,625	378,625
2018	170,000	206,200	376,200
2019	175,000	198,550	373,550
2020	150,000	190,675	340,675
2021-2025	845,000	846,275	1,691,275
2026-2030	1,040,000	610,775	1,650,775
2031-2035	1,290,000	298,925	1,588,925
2036	290,000	15,950	305,950
Total	<u>\$ 4,275,000</u>	<u>\$ 2,800,150</u>	<u>\$ 7,075,150</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventories	-	73,100	-	-	73,100
Prepaid expenditures	31,291	-	-	-	31,291
Total Nonspendable	41,291	73,100	-	-	114,391
Restricted					
Legally restricted programs	391,087	-	-	126,384	517,471
Capital projects	-	-	-	169,322	169,322
Debt services	-	-	-	114,179	114,179
Total Restricted	391,087	-	-	409,885	800,972
Committed					
Deferred maintenance projects	-	-	-	67,812	67,812
Total Committed	-	-	-	67,812	67,812
Assigned					
Parent fees	150,000	-	-	-	150,000
Deferred maintenance projects	168,791	-	-	-	168,791
ELA adoption	400,000	-	-	-	400,000
Technology upgrades	300,000	-	-	-	300,000
Capital projects	-	-	2,098,644	-	2,098,644
Special projects	338,136	-	-	-	338,136
Total Assigned	1,356,927	-	2,098,644	-	3,455,571
Unassigned					
Reserve for economic uncertainties	1,947,100	-	-	-	1,947,100
Undesignated	970,144	-	-	-	970,144
Total Unassigned	2,917,244	-	-	-	2,917,244
Total	\$ 4,706,549	\$ 73,100	\$ 2,098,644	\$ 477,697	\$ 7,355,990

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major funds exceeded the budgeted amounts as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Capital outlay	\$ 2,650	\$ 34,578	\$ 31,928
Cafeteria			
Classified salaries	\$ 762,490	\$ 784,934	\$ 22,444
Services and operating expenditures	\$ 84,800	\$ 137,406	\$ 52,606

NOTE 12 - RISK MANAGEMENT

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 June 30, 2015, 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.

Workers' Compensation

For fiscal year 2015, the District participated in the CRSIG, an insurance purchasing pool. The intent of CRSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in CRSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of CRSIG. Participation in CRSIG is limited to districts that can meet CRSIG selection criteria.

Employee Medical Benefits

The District has contracted with Self Insured Schools of California (SISC) to provide employee health benefits. SISC is a joint powers authority administered by Kern County Superintendent of Schools. SISC pools resources to provide schools with a more stable long-term insurance solution rather than purchasing from commercial carriers. SISC provides a very cost effective environment which reflects its commitment to preventing losses and controlling costs. SISC strives to provide the best coverage and service to their members while keeping costs affordable and stable.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 12,626,912	\$ 930,924	\$ 3,109,353	\$ 1,090,110
CalPERS	4,500,475	534,390	1,546,414	400,000
Total	<u>\$ 17,127,387</u>	<u>\$ 1,465,314</u>	<u>\$ 4,655,767</u>	<u>\$ 1,490,110</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$930,924.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 12,626,912
State's proportionate share of the net pension liability associated with the District	<u>7,624,675</u>
Total	<u><u>\$ 20,251,587</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0216 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,090,110. In addition, the District recognized revenue and pension expense of \$658,256 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 930,924	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>3,109,353</u>
Total	<u><u>\$ 930,924</u></u>	<u><u>\$ 3,109,353</u></u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 777,338
2017	777,338
2018	777,338
2019	777,339
Total	<u>\$ 3,109,353</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 19,682,054
Current discount rate (7.60%)	\$ 12,626,912
1% increase (8.60%)	\$ 6,744,206

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$534,390.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,500,475. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0396 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$400,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 534,390	\$ -
Difference between projected and actual earnings on pension plan investments	-	1,546,414
Total	<u>\$ 534,390</u>	<u>\$ 1,546,414</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 386,603
2017	386,603
2018	386,603
2019	386,605
Total	<u>\$ 1,546,414</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 7,894,861
Current discount rate (7.50%)	\$ 4,500,475
1% increase (8.50%)	\$ 1,664,124

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$517,584 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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, 2015.

Litigation

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

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Central Region Schools' Insurance Group (CRSIG) and the Self Insured Schools of California (SISC) joint powers authorities (JPA). The District pays annual premiums these entities for its health, workers' compensation, and property liability coverage. The relationship between the District and the JPAs is such that the JPAs 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.

The District has appointed one member to the governing board of CRSIG.

During the year ended June 30, 2015, the District made payment of \$411,716 to CRSIG for workers' compensation and property and liability insurance.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The District has appointed no board members to the governing board of SISC.

During the year ended June 30, 2015, the District made payment of \$832,394 to SISC for health coverage.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and adjusted their beginning capital asset balances in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 28,226,777
Restatement - GASB Statement No. 68, Net Pension Liability	(20,289,586)
Restatement - Capital Assets	<u>(647,000)</u>
Net Position - Beginning as Restated	<u><u>\$ 7,290,191</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA UNION SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 16,444,684	\$ 18,293,343	\$ 18,411,598	\$ 118,255
Federal sources	963,762	1,123,972	1,076,269	(47,703)
Other State sources	1,574,695	1,322,239	1,465,006	142,767
Other local sources	1,748,422	1,721,632	2,154,526	432,894
Total Revenues ¹	20,731,563	22,461,186	23,107,399	646,213
EXPENDITURES				
Current				
Certificated salaries	9,567,567	10,245,161	10,060,186	184,975
Classified salaries	3,181,144	3,530,967	3,399,868	131,099
Employee benefits	2,818,149	3,126,069	2,720,303	405,766
Books and supplies	1,474,923	1,838,272	1,322,872	515,400
Services and operating expenditures	3,820,967	3,895,807	3,762,793	133,014
Capital outlay	140,538	2,650	34,578	(31,928)
Other outgo	452,764	585,796	333,842	251,954
Total Expenditures ¹	21,456,052	23,224,722	21,634,442	1,590,280
Excess (Deficiency) of Revenues Over Expenditures	(724,489)	(763,536)	1,472,957	2,236,493
Other Financing Sources (Uses)				
Transfers in	-	-	16,329	16,329
Transfers out	-	(16,329)	(1,000,468)	(984,139)
Net Financing Sources (Uses)	-	(16,329)	(984,139)	(967,810)
NET CHANGE IN FUND BALANCES	(724,489)	(779,865)	488,818	1,268,683
Fund Balance - Beginning	4,217,731	4,217,731	4,217,731	-
Fund Balance - Ending	\$ 3,493,242	\$ 3,437,866	\$ 4,706,549	\$ 1,268,683

¹ On behalf payments are no included in the budgeted or actual revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual revenues and expenditures, however are not included in the original and final General Fund budgets.

SALIDA UNION SCHOOL DISTRICT

**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Federal sources	\$ 1,477,000	\$ 1,497,000	\$ 1,466,347	\$ (30,653)
Other State sources	200,300	200,300	171,840	(28,460)
Other local sources	507,679	534,679	532,977	(1,702)
Total Revenues	<u>2,184,979</u>	<u>2,231,979</u>	<u>2,171,164</u>	<u>(60,815)</u>
EXPENDITURES				
Current				
Classified salaries	762,490	762,490	784,934	(22,444)
Employee benefits	219,304	200,224	189,877	10,347
Books and supplies	1,008,000	1,052,020	1,036,414	15,606
Services and operating expenditures	84,800	84,800	137,406	(52,606)
Capital outlay	81,000	121,093	97,534	23,559
Other outgo	80,157	80,157	47,569	32,588
Total Expenditures	<u>2,235,751</u>	<u>2,300,784</u>	<u>2,293,734</u>	<u>7,050</u>
Deficiency of Revenues				
Over Expenditures	<u>(50,772)</u>	<u>(68,805)</u>	<u>(122,570)</u>	<u>(67,865)</u>
Other Financing Sources				
Transfers in	-	-	105	105
Net Financing Sources	<u>-</u>	<u>-</u>	<u>105</u>	<u>105</u>
NET CHANGE IN FUND BALANCES	<u>(50,772)</u>	<u>(68,805)</u>	<u>(122,465)</u>	<u>(53,660)</u>
Fund Balance - Beginning	195,565	195,565	195,565	-
Fund Balance - Ending	<u>\$ 144,793</u>	<u>\$ 126,760</u>	<u>\$ 73,100</u>	<u>\$ (53,660)</u>

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability (asset)	<u>0.0216%</u>
District's proportionate share of the net pension liability (asset)	\$ 12,626,912
State's proportionate share of the net pension liability (asset) associated with the District	<u>7,624,675</u>
Total	<u>\$ 20,251,587</u>
District's covered - employee payroll	<u>\$ 9,636,448</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>131.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability (asset)	<u>0.0396%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,500,475</u>
District's covered - employee payroll	<u>\$ 4,146,548</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>108.54%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 930,924
Contributions in relation to the contractually required contribution	<u>930,924</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	<u>\$ 10,483,378</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 534,390
Contributions in relation to the contractually required contribution	<u>534,390</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	<u>\$ 4,539,886</u>
Contributions as a percentage of covered - employee payroll	<u>11.771%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Special Education Programs			
Special Education, IDEA - Basic	84.027	13379	\$ 381,165
Special Education, IDEA, Private School	84.027	10115	6,026
Subtotal, Special Education Programs			<u>387,191</u>
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	482,070
Title II - Part A, Teacher Quality	84.367	14341	85,543
Title III - LEP	84.365	14346	77,620
Total U.S. Department of Education			<u>1,032,424</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition: Equipment Assistance	10.579	14906	20,000
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,016,361
Especially Needy Breakfast	10.553	13526	267,770
Meals Supplements - Snacks	10.555	13391	77,497
Seamless Summer	10.559	13004	84,719
Food Distribution - Commodities	10.555	13391	158,932
Subtotal, Child Nutrition Cluster			<u>1,605,279</u>
Total U.S. Department of Agriculture			<u>1,625,279</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	43,845
Head Start Programs			
Head Start	93.600	10016	937,016
Early Head Start	93.600	15291	433,653
Subtotal Head Start Programs			<u>1,370,669</u>
Total U.S. Department of Health and Human Services			<u>1,414,514</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,072,217</u></u>

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

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 District's boundaries in the current year. The District is currently operating three elementary schools, one middle school and one charter school.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dennis Thompson	President	2016
Virginia L. Berry	Clerk	2018
Ivan Wyeth, II	Trustee	2018
Dr. Gary L. Dew	Trustee	2016
Nanci E. Fox	Trustee	2018

ADMINISTRATION

Twila Tosh	Superintendent
Sue Tallcott	Supervisor of Business Services

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Second Period Report</u>	<u>Annual Report</u>	
SALINAS UNION SCHOOL DISTRICT			
Regular ADA			
Transitional kindergarten through third	973.50	973.03	
Fourth through sixth	794.32	793.00	
Seventh and eighth	<u>600.72</u>	<u>600.32</u>	
Total ADA	<u><u>2,368.54</u></u>	<u><u>2,366.35</u></u>	
			As Adjusted per Audit
	<u>Final Report</u>		<u>Second Period Report</u>
	Second Period Report	Annual Report	Second Period Report
INDEPENDENCE CHARTER SCHOOL			
Non-Classroom Based			
Regular ADA			
Transitional kindergarten through third	2.97	2.98	2.97
Fourth through sixth ¹	0.69	0.56	0.62
Seventh and eighth	<u>3.50</u>	<u>3.38</u>	<u>3.50</u>
Total Non-Classroom Based ADA	<u><u>7.16</u></u>	<u><u>6.92</u></u>	<u><u>7.09</u></u>
Classroom based ADA			
Regular ADA			
Transitional kindergarten through third ²	<u>82.90</u>	<u>83.20</u>	<u>83.05</u>
Total Classroom Based ADA	<u><u>82.90</u></u>	<u><u>83.20</u></u>	<u><u>83.05</u></u>
Total Charter School ADA	<u><u>90.06</u></u>	<u><u>90.12</u></u>	<u><u>90.14</u></u>

¹ Revision due to finding 2015-001 in the State Awards Findings and Questioned Cost section of this audit report.

² Revision due approved J-13A Emergency Waiver. Change verified within audit procedures.

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Salida Union School District

Grade Level	1986-1987	Reduced 1986-1987	2014-2015 Actual Minutes	Number of Days		Status
	Minutes Requirement	Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	53,160	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			53,160	180	N/A	Complied
Grade 2			53,160	180	N/A	Complied
Grade 3			53,160	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			57,240	180	N/A	Complied
Grade 5			57,240	180	N/A	Complied
Grade 6			59,304	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			59,304	180	N/A	Complied
Grade 8			59,304	180	N/A	Complied

Independence Charter School - Classroom Based

Grade Level	2014-2015	2014-2015	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	34,971	54,060	180	N/A	Complied
Grades 1 - 3	48,960				
Grade 1		54,060	180	N/A	Complied
Grade 2		54,060	180	N/A	Complied
Grade 3		54,060	180	N/A	Complied

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 ^{1,4}	2015 ⁴	2014 ^{4,5}	2013 ⁴
GENERAL FUND				
Revenues ³	\$ 25,450,545	\$ 23,119,996	\$ 20,861,161	\$ 20,075,043
Expenditures	23,904,249	21,634,442	20,614,957	19,056,610
Other uses and transfers out	44,671	1,000,469	273,037	124,178
Total Expenditures and Other Uses ³	23,948,920	22,634,911	20,887,994	19,180,788
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 1,501,625</u>	<u>\$ 485,085</u>	<u>\$ (26,833)</u>	<u>\$ 894,255</u>
ENDING FUND BALANCE	<u>\$ 5,870,038</u>	<u>\$ 4,368,413</u>	<u>\$ 3,883,328</u>	<u>\$ 3,910,161</u>
AVAILABLE RESERVES²	<u>\$ 3,128,284</u>	<u>\$ 2,917,244</u>	<u>\$ 3,418,444</u>	<u>\$ 2,053,762</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>13.06%</u>	<u>12.89%</u>	<u>16.37%</u>	<u>10.71%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 27,566,927</u>	<u>\$ 34,317,941</u>	<u>\$ 13,167,424</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>2,260</u>	<u>2,369</u>	<u>2,464</u>	<u>2,464</u>

The General Fund balance has increased by \$458,252 over the past two years. The fiscal year 2015-2016 budget projects a further increase of \$1,501,625 (34.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$14,399,503 over the past two years due to the implementation of GASB Statement No. 68 and the recording of the net pension liability of \$17,127,387.

Average daily attendance has decreased by 95 over the past two years. Additional decline of 109 ADA is anticipated during fiscal year 2015-2016 mainly due to students attending the charter school.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments have been excluded from the calculation of available reserves.

⁴ General Fund amounts do not include activity related to the consolidation of the Special Reserve for Other Than Capital Outlay Fund as required by GASB Statement No. 54.

⁵ The long-term obligations were restated for 2014 due to the implementation of GASB Statement No. 68.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Independence Charter School (Charter No. 1098)	Yes

SALIDA UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Charter School Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 136,205	\$ 18,111	\$ 67,812
Receivables	18,618	113,326	-
Due from other funds	16,329	-	-
Total Assets	\$ 171,152	\$ 131,437	\$ 67,812
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 18,873	\$ 87,575	\$ -
Due to other funds	43,525	-	-
Unearned revenue	-	26,232	-
Total Liabilities	62,398	113,807	-
Fund Balances:			
Restricted	108,754	17,630	-
Committed	-	-	67,812
Total Fund Balances	108,754	17,630	67,812
Total Liabilities and Fund Balances	\$ 171,152	\$ 131,437	\$ 67,812

Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 633	\$ 136,215	\$ 32,474	\$ 114,179	\$ 505,629
-	-	-	-	131,944
-	-	-	-	16,329
<u>\$ 633</u>	<u>\$ 136,215</u>	<u>\$ 32,474</u>	<u>\$ 114,179</u>	<u>\$ 653,902</u>
\$ -	\$ -	\$ -	\$ -	\$ 106,448
-	-	-	-	43,525
-	-	-	-	26,232
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,205</u>
633	136,215	32,474	114,179	409,885
-	-	-	-	67,812
<u>633</u>	<u>136,215</u>	<u>32,474</u>	<u>114,179</u>	<u>477,697</u>
<u>\$ 633</u>	<u>\$ 136,215</u>	<u>\$ 32,474</u>	<u>\$ 114,179</u>	<u>\$ 653,902</u>

SALIDA UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Charter School Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	\$ 654,149	\$ -	\$ -
Federal sources	-	1,370,669	-
Other State sources	4,224	321,647	-
Other local sources	55	2,599	82
Total Revenues	658,428	1,694,915	82
EXPENDITURES			
Current			
Instruction	510,397	433	-
Instruction-related activities:			
School site administration	73,768	-	-
Pupil services:			
All other pupil services	4,655	-	-
Administration:			
All other administration	28,172	62,005	-
Plant services	91,540	4,146	-
Community services	-	1,625,007	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	708,532	1,691,591	-
Excess (Deficiency) of Revenues Over Expenditures	(50,104)	3,324	82
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(16,329)	-	-
Net Financing Sources (Uses)	(16,329)	-	-
NET CHANGE IN FUND BALANCES	(66,433)	3,324	82
Fund Balance - Beginning	175,187	14,306	67,730
Fund Balance - Ending	\$ 108,754	\$ 17,630	\$ 67,812

Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 654,149
-	-	-	-	1,370,669
-	-	-	1,516	327,387
-	12,912	254	121,964	137,866
-	12,912	254	123,480	2,490,071
-	-	-	-	510,830
-	-	-	-	73,768
-	-	-	-	4,655
-	-	-	-	90,177
-	-	-	-	95,686
-	-	-	-	1,625,007
-	-	-	80,000	80,000
-	-	-	34,752	34,752
-	-	-	114,752	2,514,875
-	12,912	254	8,728	(24,804)
363	-	-	-	363
-	-	-	-	(16,329)
363	-	-	-	(15,966)
363	12,912	254	8,728	(40,770)
270	123,303	32,220	105,451	518,467
\$ 633	\$ 136,215	\$ 32,474	\$ 114,179	\$ 477,697

SALIDA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair market value of commodities that are not recorded on the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 3,913,285
Reconciling items:		
Food Distribution - Commodities	10.555	158,932
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,072,217</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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 apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 the 1986-1987 requirements, as required by *Education Code* Section 46201.

SALIDA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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.

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Salida Union School District
Salida, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salida Union School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Salida Union School District's basic financial statements, and have issued our report thereon dated December 11, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salida Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

We noted certain matters that we reported to management of Salida Union School District in a separate letter dated December 11, 2015.

Salida Union School District's Response to Finding

Salida Union School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Salida Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Vannink, Trine, Day & Co., LLP

Fresno, California
December 11, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Salida Union School District
Salida, California

Report on Compliance for Each Major Federal Program

We have audited Salida Union School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salida Union School District's (the District) major Federal programs for the year ended June 30, 2015. Salida Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salida Union School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Salida Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Salida Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Salida Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salida Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salida Union School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Varrink, Trine, Day & Co, LLP

Fresno, California
December 11, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salida Union School District
Salida, California

Report on State Compliance

We have audited Salida Union School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Salida Union School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Salida Union School District's State programs based on our audit of the types of compliance requirements referred to above. 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salida Union 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 School District's compliance with those requirements.

Basis for Qualified Opinion on Attendance Reporting

As described in the accompanying Schedule of Findings and Questioned Costs, Salida Union School District did not comply with requirements regarding Attendance Reporting. Compliance with such requirements is necessary, in our opinion, for Salida Union School District to comply with the requirements applicable to that program.

Qualified Opinion on Attendance Reporting

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Salida Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Salida Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Salida Union School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No (see below)
Adult Education Maintenance of Effort	No (see below)
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	No (see below)
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes

Procedures
Performed

Charter Schools:

Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	Yes
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No (see below)

We did not perform testing procedures 2 and 3 for kindergarten continuance because there were no kindergarteners retained from the prior year.

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

The District does not have Continuation Education; therefore, we did not perform any procedures related to Continuation Education.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not have any Regional Occupational Centers or Programs in fiscal year 2012-2013; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District did not have any Adult Education programs in fiscal year 2012-2013; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

We did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any California Clean Energy Jobs Act funds.

The general requirements for the After School Education and Safety Program were not performed as the Stanislaus County Office of Education is the grantee agency and has its own independent audit of the general requirements of the grant.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

We did not perform the Determination of Funding for Nonclassroom-Based Instruction because less than 20 percent of the Charter Schools attendance was nonclassroom-based.

Additionally, we did not perform the recommended procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

Vannink, Trine, Day & Co., LLP

Fresno, California
December 11, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SALIDA UNION SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for the major Federal program:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>93.600</u>	<u>Head Start Programs</u>
<u>84.027</u>	<u>Special Education Programs</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	
<u>Name of Program</u>	
<u>Attendance Reporting</u>	

SALIDA UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

SALIDA UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

SALIDA UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations. The finding has been coded as follows:

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

2015-001 10000

Attendance Accounting and Reporting

Criteria

According to the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA. [Education Code Sections 41341 (a)(1) and 14503 (a)]

Condition

During our audit of the District's Charter School, we noted that one non-classroom based student received attendance credits prior to the credits being earned. The student did not have any attendance records and work samples to support the attendance credits earned for the period of November 3, 2014 to November 18, 2014, which is ten days of attendance. This resulted in an overstatement of 0.07 ADA.

Effect

The District will need to revise the Charter School Second Period Report of School District Attendance by a net ADA of 0.07 for the Grades 4-6 attendance. The fiscal impact amounted to approximately \$423 in State apportionment funding.

Cause

The attendance credit for the student was entered into the attendance system although the student's attendance log and homework had not been received and reviewed.

Recommendation

The District needed to revise the Charter School's Second Period Attendance Report of School District Attendance to reflect the audited ADA. Additionally, attendance credits for non-classroom based students should not be entered into the system until it is earned. The site should ensure that all attendance credits earned are supported by certified attendance records and work samples before entering them into the system.

SALIDA UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Corrective Action Plan

The Charter School has corrected it's P2 report.

SALIDA UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

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

2014-001 30000

DEFICIENCY - STUDENT BODY ACCOUNTING

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At Sisk Elementary School it was noted that bank reconciliation are not being reviewed.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

Bank reconciliations should be independently reviewed.

Current Status

Not implemented. Please see current year management letter.



Governing Board
Salida Union School District
Salida, California

In planning and performing our audit of the financial statements of Salida Union School District, for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2015, on the government-wide financial statements of the District.

SALIDA MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Disbursements

Observation

We discovered disbursement requests were dated after the date on the invoice. This would indicate items are being purchased prior to their approval.

Recommendation

The site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcma.org. In order to provide proper controls over spending, the site should take the necessary steps to ensure expenditures are approved prior to the item being purchased.

Prohibited Expenditure

Observation

During our audit, we noted the ASB purchases gift cards for staff appreciation gifts. The purchase of gift cards with ASB funds fall under the category of prohibited expenditures.

Recommendation

Expenditures should be approved only if the purchased item is for the general welfare and benefit of all students. Purchases of items classified as prohibited expenditure should not be allowed. The site needs to design and implement a policy and control procedure to assure prohibited expenditures are not funded with general ASB money.

SALIDA ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit we noted the cash receipts procedures did not include the consistent use of receipts or logs. Without this step in the cash receipts process, it is impossible to determine when cash was received, from whom cash was received or if the deposits were intact and timely. This internal control weakness puts the district at greater risk for loss of cash, reduces accountability over cash, and reduces the district's ability to know how much cash should be on hand.

Recommendation

The site can strengthen internal controls over cash by receipting or logging all cash received by the site as to when and from whom it was received. The cash receipt book, or log, should also be used as a reference as to the amount of cash that should be on hand in the event cash turns up missing or if a claim or challenge is made regarding payment received by the site.

Cash Receipts

Observation

During our audit of the cash receipts procedures we noted the ASB bookkeeper was collecting monies intended for the Salida Parents' Association (SPA). She issued prenumbered receipts out of the ASB receipt book, but turned the funds over to the parent group.

Recommendation

The ASB bookkeeper should not write receipts out of the ASB receipt book for SPA funds, a separate book should be used, so that the bookkeeper can use the receipt book as a tool to reconcile funds received to the deposits made.

SISK ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Reconciliation

Observation

As noted in the previous year, the bank reconciliations are not being reviewed.

Recommendation

Monthly bank reconciliations must be done to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. An independent review of the bank reconciliations should be performed to ensure the reconciliations are correct and to prevent misappropriation of funds.

Governing Board
Salida Union School District

We will review the status of the current year comments during our next audit engagement.

Vannink, Trine, Day & Co, LLP

Fresno, California
December 11, 2015