

**SALIDA UNION ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

SALIDA UNION ELEMENTARY SCHOOL DISTRICT
OF STANISLAUS COUNTY
SALIDA, CALIFORNIA
JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gary Dew	President	2011
Dennis Thompson	Clerk	2011
Ivan Wyeth II	Trustee	2009
Lamoine Blocher	Trustee	2009
Mark O. Hughes	Trustee	2009

ADMINISTRATION

Douglas D. Baughn	Superintendent
Twila Tosh	Assistant Superintendent of Educational Services
Jim Yardy	Assistant Superintendent, Business and Classified Services

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Salida Union Elementary School District
Salida, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union Elementary School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union Elementary School District, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in the Notes to the basic financial statements, the District has suffered from inadequate cash flow that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 43, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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

Vannink, Trine, Day & Co, LLP

Fresno, California
February 9, 2010



Salida Union School District

District Superintendent
Douglas D. Baughn

Board of Trustees
Dennis Thompson
Lamoine Blocher
Ivan Wyeth, II
Mark O. Hughes
Dr. Gary Dew

This section of Salida Union School District's 2008-09 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Comparative information is presented between the fiscal years ending June 30, 2009 and 2008, respectively. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

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

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

SALIDA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

SALIDA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$38.2 million for the fiscal year ended June 30, 2008, and \$35.1 million for the fiscal year ended June 30, 2009, a decrease of \$3.1 million. Of this amount, \$1.1 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

Net Assets

(Amounts in millions)

	Governmental Activities		
	2008-09	2007-08	Net Change
Current and other assets	\$ 7.1	\$ 8.4	\$ (1.3)
Capital assets	38.9	40.9	(2.0)
Total Assets	46.0	49.3	(3.3)
Current liabilities	2.0	1.3	0.7
Long-term obligations	8.9	9.8	(0.9)
Total Liabilities	10.9	11.1	(0.2)
Net assets			
Invested in capital assets, net of related debt	29.6	31.2	(1.6)
Restricted	4.4	5.9	(1.5)
Unrestricted	1.1	1.1	-
Total Net Assets	\$ 35.1	\$ 38.2	\$ (3.1)

The \$1.1 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

SALIDA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Changes in Net Assets

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

Table 2

	Governmental Activities		
	2008-09	2007-08	Net Change
Revenues			
Program revenues:			
Charges for services	\$ 0.4	\$ 0.4	\$ -
Operating grants and contributions	8.3	7.4	0.9
General revenues:			
State revenue limit sources	15.5	16.3	(0.8)
Property taxes	4.2	4.6	(0.4)
Other general revenues	1.2	1.7	(0.5)
Total Revenues	<u>29.6</u>	<u>30.4</u>	<u>(0.8)</u>
Expenses			
Instruction related	20.4	21.2	(0.8)
Student support services	3.8	3.3	0.5
Administration	1.9	2.0	(0.1)
Maintenance and operations	3.0	3.2	(0.2)
Other	3.6	3.8	(0.2)
Total Expenses	<u>32.7</u>	<u>33.5</u>	<u>(0.8)</u>
Change in Net Assets	<u>\$ (3.1)</u>	<u>\$ (3.1)</u>	<u>\$ 0.0</u>

Governmental Activities

As reported in the *Statement of Activities* the cost of all of our governmental activities this year was \$32.7 million as compared to \$33.5 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$4.2 million because the cost was paid by those who benefited from the programs (\$0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$8.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$15.5 million in Federal and State funds and with \$1.2 million in other revenues, like interest and general entitlements.

SALIDA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$5.5 million, as compared to \$6.9 million in the prior year, which is a decrease of \$1.4 million. The general fund balance decreased by \$0.8 million and the special revenue funds decreased \$0.1 million during the year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 16, 2009. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$40.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment net of depreciation. At June 30, 2009, the District had \$38.9 million in capital assets. This amount represents a net decrease (including additions, deductions and depreciation) of approximately \$2.0 million from last year.

Table 3

(Amounts in millions)

	Governmental Activities		
	2008-09	2007-08	Net Change
Land and construction in progress	\$ 7.6	\$ 7.6	\$ -
Land improvements	0.1	0.1	-
Buildings and improvements	30.6	32.8	(2.2)
Equipment	0.6	0.4	0.2
Total	\$ 38.9	\$ 40.9	(2.0)

SALIDA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Long-Term Obligations

At the end of this year, the District had \$9.4 million in debt outstanding versus \$9.8 million last year, a decrease of \$0.4 million. This debt consisted of:

Table 4

(Amounts in millions)	Governmental Activities		
	2008-09	2007-08	Net Change
General obligation bonds	\$ 1.1	\$ 1.3	\$ (0.2)
Certificates of participation	6.2	6.5	(0.3)
QZAB	2.0	2.0	-
Compensated absences	0.1	-	0.1
Total	\$ 9.4	\$ 9.8	\$ (0.4)

The District's general obligation bond rating continues to be "AAA." The State limits the amount of general obligation debt that District's can issue to 35 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$1.1 million is significantly below this statutorily - imposed limit.

Other obligations include certificates of participation, qualified zoning area bonds and compensated absences payable. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-10 year, the District Board and management used the following criteria:

The key assumptions in our forecast are:

- The District's revenue limit will be calculated on a K-8 projected Cost of Living Adjustment (COLA) of 4.25% with a 17.967% offsetting deficit.
- The proposed State budget will provide no additional funding for revenue limit equalization per Average Daily Attendance (ADA).
- There is a projected decrease of 100 students in enrollment.
- Due to the decrease in enrollment, the prior year ADA of 2,881.88 will be used for revenue limit funding.
- All step, column, and longevity adjustments for staff will be budgeted.
- 5 furlough days for administrative staff will be budgeted.
- Mileage stipends will be reduce 10% from prior year amounts.
- Health insurance premiums will be increased based on an estimate of 10% for Kaiser and 20% PacifiCare; 5% for both Dental and Vision.

SALIDA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

- State categorical programs are separated into tiers from 2008/09 through 2011/12.
 - Tier 1 programs receiving a 0% COLA and no flexibility to move funds to restricted uses:
 - Programs included Economic Impact Aid, English Learner Acquisition Program, Tobacco Use Prevention Program, Restricted Lottery and Special Education.
 - Transportation is included but will be reduced by 17.967% in 2009/10.
 - Tier 3 programs became unrestricted revenue in 2008/09 and may be designated for any unrestricted use. For 2009/10 revenue from the following programs is incorporated into the unrestricted revenue to cover operational costs:
 - Art and Music Block Grant
 - Supplemental School Counseling
 - Community Based English Tutoring
 - Gifted and Talented Program
 - Instructional Materials Realignment
 - California Peer Assistance Review
 - Teacher Credentialing Block Grant
 - Professional Development Block Grant
 - Targeted Instructional Improvement Block Grant
 - Supplemental Hourly Programs
- Lottery Revenue is projected at \$109.50 unrestricted and \$11.50 restricted.
- Class size reduction funding and expenditures will be budgeted based on full implementation at all sites for K-3.
- Projected staffing requirements for next fiscal year will be calculated using maximum class loading factors per grade level.
- Site allocations will initially be at 2008/09 levels per student.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Jim Yardy, the Assistant Superintendent, Business and Classified Services, jyardy@salida.k12.ca.us. The Business Office is located at Salida Union School District, 4801 Sisk Road, Suite 201, Salida, California, 95356.

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SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 2,624,008
Receivables	4,308,850
Prepaid expenses	121,986
Stores inventories	65,490
Nondepreciable capital assets	7,578,569
Depreciable capital assets	55,709,098
Accumulated depreciation	(24,445,988)
Total Assets	<u>45,962,013</u>
LIABILITIES	
Overdrafts	88,497
Accounts payable	1,323,453
Deferred revenue	110,508
Current portion of long-term obligations	490,000
Noncurrent portion of long-term obligations	8,860,781
Total Liabilities	<u>10,873,239</u>
NET ASSETS	
Invested in capital assets, net of related debt	29,576,948
Restricted for:	
Debt service	2,004,048
Capital projects	1,200,809
Educational programs	66,017
Other activities	1,147,811
Unrestricted	1,093,141
Total Net Assets	<u>\$ 35,088,774</u>

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 18,100,937	\$ 13,945	\$ 3,003,223
Instruction-related activities:			
Supervision of instruction	466,681	253	250,483
Instructional library, media and technology	254,284	-	155,330
School site administration	1,579,083	375	58,550
Pupil services:			
Home-to-school transportation	681,584	-	447,693
Food services	2,050,636	326,018	1,562,416
All other pupil services	1,117,642	1,053	162,255
General administration:			
Data processing	43,610	-	-
All other general administration	1,862,206	5,568	32,351
Plant services	2,972,138	3,764	32,088
Ancillary services	27,377	-	-
Community services	2,761,629	59,838	2,457,704
Interest on long-term obligations	413,884	-	-
Other outgo	360,346	1,867	159,007
Total Governmental-Type Activities	\$ 32,692,037	\$ 412,681	\$ 8,321,100

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 Assets

- Net Assets - Beginning
- Net Assets - Ending

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

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

**Governmental
Activities**

\$	(15,083,769)
	(215,945)
	(98,954)
	(1,520,158)
	(233,891)
	(162,202)
	(954,334)
	(43,610)
	(1,824,287)
	(2,936,286)
	(27,377)
	(244,087)
	(413,884)
	(199,472)
	<u>(23,958,256)</u>
	3,630,778
	380,631
	170,134
	15,547,216
	64,940
	<u>1,063,486</u>
	<u>20,857,185</u>
	(3,101,071)
	38,189,845
\$	<u><u>35,088,774</u></u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	<u>General Fund</u>	<u>Special Reserve Non-Capital Fund</u>	<u>QZAB Debt Service Fund</u>
ASSETS			
Deposits and investments	\$ 10,000	\$ -	\$ 1,400,822
Receivables	4,135,535	-	-
Due from other funds	-	964,564	-
Stores inventories	-	-	-
Total Assets	<u>\$ 4,145,535</u>	<u>\$ 964,564</u>	<u>\$ 1,400,822</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ 88,496	\$ -	\$ -
Accounts payable	1,254,734	-	-
Due to other funds	1,568,844	-	-
Deferred revenue	110,508	-	-
Total Liabilities	<u>3,022,582</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Revolving cash	10,000	-	-
Stores inventories	-	-	-
Legally restricted balance	66,017	-	-
Unreserved:			
Designated	1,046,936	964,564	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	1,400,822
Capital projects funds	-	-	-
Total Fund Balance	<u>1,122,953</u>	<u>964,564</u>	<u>1,400,822</u>
Total Liabilities and Fund Balances	<u>\$ 4,145,535</u>	<u>\$ 964,564</u>	<u>\$ 1,400,822</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,213,186	\$ 2,624,008
173,315	4,308,850
682,147	1,646,711
65,490	65,490
<u>\$ 2,134,138</u>	<u>\$ 8,645,059</u>
\$ 1	\$ 88,497
68,719	1,323,453
77,867	1,646,711
-	110,508
<u>146,587</u>	<u>3,169,169</u>
-	10,000
65,490	65,490
-	66,017
-	2,011,500
117,757	117,757
603,226	2,004,048
1,201,078	1,201,078
<u>1,987,551</u>	<u>5,475,890</u>
<u>\$ 2,134,138</u>	<u>\$ 8,645,059</u>

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SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

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

Total Fund Balance - Governmental Funds		\$ 5,475,890
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	\$ 63,287,667	
Accumulated depreciation is	<u>(24,445,988)</u>	
Total capital assets		38,841,679
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		121,986
Long-term liabilities at year end consist of:		
General obligation bonds	(1,130,000)	
Certificates of participation	(6,135,000)	
QZAB Obligation	(2,000,000)	
Compensated absences	<u>(85,781)</u>	
Total long-term liabilities		<u>(9,350,781)</u>
Total Net Assets - Governmental Activities		<u>\$ 35,088,774</u>

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Special Reserve Non-Capital Fund
REVENUES		
Revenue limit sources	\$ 16,624,378	\$ -
Federal sources	3,329,033	-
Other state sources	4,795,242	-
Other local sources	1,763,856	11,445
Total Revenues	26,512,509	11,445
EXPENDITURES		
Current		
Instruction	16,830,034	-
Instruction-related activities:		
Supervision of instruction	466,681	-
Instructional library, media and technology	254,284	-
School site administration	1,411,202	-
Pupil Services:		
Home-to-school transportation	618,628	-
Food services	1,265	-
All other pupil services	1,117,642	-
General administration:		
Data processing	43,610	-
All other general administration	1,658,113	-
Plant services	2,385,964	-
Ancillary services	27,377	-
Community services	2,050,962	-
Other outgo	360,346	-
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	27,226,108	-
Excess (Deficiency) of Revenues Over Expenditures	(713,599)	11,445
Other Financing Sources (Uses):		
Transfers in	-	-
Transfers out	(111,804)	-
Net Financing Sources (Uses)	(111,804)	-
NET CHANGE IN FUND BALANCES	(825,403)	11,445
Fund Balance - Beginning	1,948,356	953,119
Fund Balance - Ending	\$ 1,122,953	\$ 964,564

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

QZAB Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 16,624,378
-	1,274,255	4,603,288
-	455,190	5,250,432
80,771	1,256,796	3,112,868
<u>80,771</u>	<u>2,986,241</u>	<u>29,590,966</u>
-	1,000	16,831,034
-	-	466,681
-	-	254,284
-	-	1,411,202
-	-	618,628
-	1,986,416	1,987,681
-	-	1,117,642
-	-	43,610
-	32,631	1,690,744
-	405,606	2,791,570
-	-	27,377
-	542,786	2,593,748
-	-	360,346
-	465,000	465,000
-	393,554	393,554
-	<u>3,826,993</u>	<u>31,053,101</u>
<u>80,771</u>	<u>(840,752)</u>	<u>(1,462,135)</u>
-	368,428	368,428
-	(256,624)	(368,428)
-	111,804	-
80,771	(728,948)	(1,462,135)
1,320,051	2,716,499	6,938,025
<u>\$ 1,400,822</u>	<u>\$ 1,987,551</u>	<u>\$ 5,475,890</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds **\$ (1,462,135)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

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

Depreciation expense	\$ (2,098,516)	
Capital outlays	<u>39,476</u>	(2,059,040)

In the statement of activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amount paid by \$24,566. (24,566)

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of cost of issuance (20,330)

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

General obligation bonds	185,000	
Certificates of participation	<u>280,000</u>	

Change in Net Assets of Governmental Activities **\$ (3,101,071)**

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Agency Funds
ASSETS	
Deposits and investments	\$ 149,878
Total Assets	<u>\$ 149,878</u>
 LIABILITIES	
Due to student groups	\$ 149,878
Total Liabilities	<u>\$ 149,878</u>

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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 a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Special Reserve Non-Capital Fund The Special Reserve Non-Capital Fund is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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).

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.

Foundation Fund The Foundation Fund is used to account for resources received from gifts or bequests pursuant to *Education Code* Section 41031 under which both earnings and principal may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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).

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).

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) 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.).

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

COP Capital Projects Fund The COP Capital Projects Fund is used to account for funds received from the issuance of Certificates of Participation.

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

Debt Service Funds The Debt Service funds are established to account for the accumulation of resources for and the payment of principal and interest on 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).

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include 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.

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 45 or 60 days. However to achieve comparability of reporting among California LEAs 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 LEAs 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 90 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 and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2009, 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 (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when 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 type 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. General 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. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Interfund Balances

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

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets as long-term obligations.

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, compensated absences, special termination benefits, 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, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$4,418,685 of restricted net assets, of which \$2,928,573 is restricted by enabling legislation.

Interfund Activity

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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.

Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers. The District does not offer any District paid retiree benefits.

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 2,535,511
Fiduciary funds	149,878
Total Deposits and Investments	<u>\$ 2,685,389</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 150,378
Cash in revolving	10,000
Investments	2,525,011
Total Deposits and Investments	<u>\$ 2,685,389</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.

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
AIG investment contract	10 years	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Held By Trustee:					
U.S. Treasuries	\$ 100,258	\$ 100,258	\$ -	\$ -	\$ -
AIG Investment Contract	1,400,822	-	-	-	1,400,822
County Pool	412,484	412,484	-	-	-
State Investment Pool	611,447	611,447	-	-	-
Total	\$ 2,525,011	\$ 1,124,189	\$ -	\$ -	\$ 1,400,822

Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Held by Trustee:					
U.S. Treasuries	\$ 100,258	N/A	\$ -	\$ -	\$ 100,258
AIG Investment Contract	1,400,822	N/A	-	-	1,400,822
County Pool	412,484	N/A	-	-	412,484
State Investment Pool	611,447	N/A	-	-	611,447
Total	\$ 2,525,011		\$ -	\$ -	\$ 2,525,011

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

Issuer	Investment Type	Reported Amount
AIG	Investment contract	\$ 1,400,822

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in investment contracts of \$1,400,822, the District has a custodial credit risk exposure of \$1,400,822 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 527,076	\$ 59,279	\$ 586,355
State Government			
Apportionment	2,502,569	-	2,502,569
Categorical aid	879,665	1,420	881,085
Lottery	195,093	-	195,093
Local Sources	31,132	112,616	143,748
Total	<u>\$ 4,135,535</u>	<u>\$ 173,315</u>	<u>\$ 4,308,850</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental Activities			
Capital Assets Not Being Depreciated			
Land	\$ 7,578,569	\$ -	\$ 7,578,569
Total Capital Assets Not Being Depreciated	<u>7,578,569</u>	<u>-</u>	<u>7,578,569</u>
Capital Assets Being Depreciated			
Land improvements	108,100	-	108,100
Buildings and improvements	53,183,703	-	53,183,703
Furniture and equipment	2,377,819	39,476	2,417,295
Total Capital Assets Being Depreciated	<u>55,669,622</u>	<u>39,476</u>	<u>55,709,098</u>
Less Accumulated Depreciation			
Land improvements	12,631	7,209	19,840
Buildings and improvements	20,607,633	1,951,765	22,559,398
Furniture and equipment	1,727,208	139,542	1,866,750
Total Accumulated Depreciation	<u>22,347,472</u>	<u>2,098,516</u>	<u>24,445,988</u>
Governmental Activities Capital Assets, Net	<u>\$40,900,719</u>	<u>\$ (2,059,040)</u>	<u>\$ 38,841,679</u>

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 1,301,080
School site administration	167,881
Home to school transportation	62,956
Food services	62,955
Community services	167,881
All other general administration	146,896
Plant services	188,867
Total Depreciation Expenses Governmental Activities	<u>\$ 2,098,516</u>

NOTE 5 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2009, consisted of the following:

Debt issuance costs - Government-wide financial statements	\$ 121,986
Total Governmental Activities	<u>\$ 121,986</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - 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, 2009, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	\$ -	\$ 1,568,844
Special Reserve Non-Capital	964,564	-
Total Major Governmental Funds	<u>964,564</u>	<u>1,568,844</u>
Non-Major Governmental Funds	682,147	77,867
Total All Governmental Funds	<u>\$ 1,646,711</u>	<u>\$ 1,646,711</u>

Operating Transfers

The General Fund transferred to the Deferred Maintenance Fund for the District Match.	\$ 111,804
The Special Reserve Capital Outlay Fund transferred to the Cafeteria Fund to support operating costs	<u>256,624</u>
Total	<u>\$ 368,428</u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 72,100	\$ 23,942	\$ 96,042
State apportionment	606,515	-	606,515
Salaries and benefits	482,870	44,777	527,647
Deferred payroll	53,938	-	53,938
State programs	39,311	-	39,311
Total	<u>\$ 1,254,734</u>	<u>\$ 68,719</u>	<u>\$ 1,323,453</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund
Federal financial assistance	\$ 97,008
State categorical aid	13,500
Total	<u>\$ 110,508</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds-1988B	\$ 1,060,000	\$ -	\$ 60,000	\$ 1,000,000	\$ 60,000
General obligation bonds-1996 Refunding	255,000	-	125,000	130,000	130,000
Certificates of Participation-2001	2,485,000	-	90,000	2,395,000	100,000
Certificates of Participation-2003A	2,255,000	-	115,000	2,140,000	120,000
Certificates of Participation-2003B	1,675,000	-	75,000	1,600,000	80,000
Qualified Zone Academy Bond	2,000,000	-	-	2,000,000	-
Compensated absences	61,215	24,566	-	85,781	-
Total	<u>\$ 9,791,215</u>	<u>\$ 24,566</u>	<u>\$ 465,000</u>	<u>\$ 9,350,781</u>	<u>\$ 490,000</u>

Payments on the certificates of participation are paid by the COP Debt Service Fund. Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Redeemed	Bonds Outstanding June 30, 2009
1988	2021	5.00-5.50%	\$ 1,500,000	\$ 1,060,000	\$ 60,000	\$ 1,000,000
1996	2010	5.00-5.25%	1,315,000	255,000	125,000	130,000
Total				<u>\$ 1,315,000</u>	<u>\$ 185,000</u>	<u>\$ 1,130,000</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Debt Service Requirements to Maturity

General Obligation 1988 Series B Bonds

The bonds mature through 2021 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 60,000	\$ 53,160	\$ 113,160
2011	65,000	49,863	114,863
2012	65,000	46,386	111,386
2013	70,000	42,705	112,705
2014	75,000	38,718	113,718
2015-2019	450,000	123,791	573,791
2020-2021	215,000	11,963	226,963
Total	<u>\$ 1,000,000</u>	<u>\$ 366,586</u>	<u>\$ 1,366,586</u>

General Obligation 1996 Refunding Bonds

The bonds mature through 2010 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	<u>\$ 130,000</u>	<u>\$ 3,413</u>	<u>\$ 133,413</u>

Total District General Obligation Bonds Outstanding:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 190,000	\$ 56,573	\$ 246,573
2011	65,000	49,863	114,863
2012	65,000	46,386	111,386
2013	70,000	42,705	112,705
2014	75,000	38,718	113,718
2015-2019	450,000	123,791	573,791
2020-2021	215,000	11,963	226,963
Total	<u>\$ 1,130,000</u>	<u>\$ 369,999</u>	<u>\$ 1,499,999</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Certificates of Participation – California School Board Association Financing Corporation

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

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

Certificates of Participation - 2001 Issue

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 100,000	\$ 123,894	\$ 223,894
2011	100,000	119,544	219,544
2012	100,000	115,094	215,094
2013	105,000	110,494	215,494
2014	110,000	105,506	215,506
2015-2019	645,000	438,675	1,083,675
2020-2024	835,000	246,713	1,081,713
2025-2026	400,000	32,519	432,519
Total	<u>\$ 2,395,000</u>	<u>\$ 1,292,439</u>	<u>\$ 3,687,439</u>

Certificates of Participation - 2003A Issue

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 120,000	\$ 91,290	\$ 211,290
2011	120,000	87,390	207,390
2012	125,000	83,190	208,190
2013	130,000	78,566	208,566
2014	135,000	73,690	208,690
2015-2019	765,000	279,850	1,044,850
2020-2023	745,000	91,130	836,130
Total	<u>\$ 2,140,000</u>	<u>\$ 785,106</u>	<u>\$ 2,925,106</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Certificates of Participation - 2003B Issue

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 80,000	\$ 93,400	\$ 173,400
2011	85,000	89,360	174,360
2012	85,000	85,068	170,068
2013	90,000	80,775	170,775
2014	95,000	76,230	171,230
2015-2019	570,000	287,982	857,982
2020-2023	595,000	92,566	687,566
Total	<u>\$ 1,600,000</u>	<u>\$ 805,381</u>	<u>\$ 2,405,381</u>

Qualified Zone Academy Bond Program

On May 9, 2001, the District issued \$2,000,000 in Qualified Zone Academy Bonds. The Bonds were issued to finance the installation of technology infrastructure and related service upgrades and to facilitate the modernization and equipping of the K-8 Magnet School Academy located at Salida Elementary School. Interest is not payable with the bonds. In lieu of receiving periodic interest payments, eligible holders of the Bonds are allowed an annual federal income tax credit equal to the credit rate times the face amount of the Bond. The tax credit rate for the Bonds is 7.08 percent. The District initially deposited \$870,596 in a trustee account that has been invested in an AIG Guaranteed Investment Contract paying 6.1209 percent. The account balance as of June 30, 2009, is \$1,400,822. The interest earnings on the deposit have been projected to be sufficient to cover the entire maturing principal balance at May 23, 2015. Should the District determine at any time that the full principal amount would not be covered, the District will be liable to make payments to cover the deficiency. The published projected account balance by fiscal year held for the principal payment on May 23, 2015, is as follows:

Qualified Zone Academy Bond Program

Year Ending June 30,	Interest Earnings	Projected Account Balance
2010	\$ 85,712	\$ 1,486,020
2011	90,958	1,576,978
2012	96,525	1,673,503
2013	102,434	1,775,937
2014	108,704	1,884,641
2015 ¹	115,359	2,000,000

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2009, amounted to \$85,781.

NOTE 10 - FUND BALANCES

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

	General Fund	Special Reserve Non-Capital Fund	QZAB Debt Service Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventory	-	-	-	65,490	65,490
Restricted programs	66,017	-	-	-	66,017
Total Reserved	<u>76,017</u>	<u>-</u>	<u>-</u>	<u>65,490</u>	<u>141,507</u>
Unreserved					
Designated					
Economic uncertainties	360,712	964,564	-	-	1,325,276
Other designation	686,224	-	-	-	686,224
Total Designated	<u>1,046,936</u>	<u>964,564</u>	<u>-</u>	<u>-</u>	<u>2,011,500</u>
Undesignated	-	-	1,400,822	1,922,061	3,322,883
Total Unreserved	<u>1,046,936</u>	<u>964,564</u>	<u>1,400,822</u>	<u>1,922,061</u>	<u>5,334,383</u>
Total	<u>\$ 1,122,953</u>	<u>\$ 964,564</u>	<u>\$ 1,400,822</u>	<u>\$ 1,987,551</u>	<u>\$ 5,475,890</u>

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2009, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 12,956,824	\$ 12,964,222	\$ 7,398
Employee benefits	\$ 3,670,944	\$ 3,751,709	\$ 80,765

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, 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 2009, the District participated in the Central Region Schools' Insurance Group (CRSIG), an insurance purchasing pool. The intent of the CRSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CRSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CRSIG. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." Participation in the CRSIG is limited to districts that can meet the CRSIG selection criteria.

Employee Medical Benefits

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$1,058,418, \$1,093,227, and \$1,069,545, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$513,522, \$497,272, and \$456,112, respectively, and equal 100 percent of the required contributions for each year.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Social Security

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

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 \$575,879 (4.517 percent of annual payroll). 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 budget 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, 2009.

Litigation

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

Operating Leases

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

Construction Commitments

As of June 30, 2009, the District had no commitments with respect to the unfinished capital projects.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Going Concern

The fiscal condition of the District has become more unstable over the course of the 2008-09 fiscal year. The District cash balances in all operating funds including reserve funds set aside for Capital Outlay and the general reserve have been depleted. Although the District's available reserve percentage met the State's recommended levels the majority of these reserves were built on one-time Federal stimulus monies which most K-12 Districts held over into the 2009-10 fiscal year to help alleviate the impact of further State budget cuts. Severe cash deferrals are eminent for the 2009-10 and 2010-11 fiscal years. The District's enrollment continues to decline which directly impacts the State Apportionment the District receives and is the largest revenue source of operations.

Management is developing a plan to significantly reduce expenditures, primarily through reductions in the workforce and a review of all contracts related to services and supplies. The District has hired consultants to review and revise the 2009-10 budget as there were apparent inaccuracies in the initially prepared budget. The ability of the District to continue as a going concern is dependent upon the plan's success. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Central Region Schools' Insurance Group (CRSIG) joint powers authority. The District pays an annual premium to CRSIG for its health, workers' compensation, and property liability coverage. The relationship between the District and CRSIG is such that CRSIG is not component unit of the District for financial reporting purposes.

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

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

During the year ended June 30, 2009, the District made payment of \$1,478,577 to CRSIG for workers' compensation, health, and property and liability insurance.

NOTE 16 - SUBSEQUENT EVENT

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

NOTE 17 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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REQUIRED SUPPLEMENTARY INFORMATION

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SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual ¹ (GAAP Basis)	Variances -
	(GAAP Basis) ¹			Favorable
	Original	Final		(Unfavorable)
				Final to Actual
REVENUES				
Revenue limit sources	\$17,265,836	\$16,558,757	\$ 16,624,378	\$ 65,621
Federal sources	2,147,080	3,446,282	3,329,033	(117,249)
Other state sources	5,075,242	5,114,462	4,219,363	(895,099)
Other local sources	1,557,946	1,390,225	1,763,856	373,631
Total Revenues	26,046,104	26,509,726	25,936,630	(573,096)
EXPENDITURES				
Current				
Certificated Salaries	12,492,097	12,956,824	12,964,222	(7,398)
Classified salaries	4,654,268	4,851,090	4,648,197	202,893
Employee benefits	3,628,550	3,670,944	3,751,709	(80,765)
Books and supplies	673,673	1,443,223	1,374,524	68,699
Services and operating expenditures	3,755,570	3,775,061	3,550,940	224,121
Other outgo	386,768	388,146	327,715	60,431
Capital outlay	87,425	42,568	32,922	9,646
Total Expenditures	25,678,351	27,127,856	26,650,229	477,627
Excess (Deficiency) of Revenues Over Expenditures	367,753	(618,130)	(713,599)	(95,469)
Other Financing Sources (Uses):				
Transfers out	-	(111,804)	(111,804)	-
Net Financing Sources (Uses)	-	(111,804)	(111,804)	-
NET CHANGE IN FUND BALANCES	367,753	(729,934)	(825,403)	(95,469)
Fund Balance - Beginning	1,948,356	1,948,356	1,948,356	-
Fund Balance - Ending	\$ 2,316,109	\$ 1,218,422	\$ 1,122,953	\$ (95,469)

¹ Excludes on behalf payments made to CalSTRS by the State of California.

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SUPPLEMENTARY INFORMATION

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SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

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):			
No Child Left Behind			
Title I Cluster			
Title I - Basic	84.010	14329	\$ 271,826
ARRA: Title I, Part A, Basic Grants Low Income and Neglected	84.389	15005	<u>61,428</u>
Subtotal Title I Cluster			<u>333,254</u>
Title I - Even Start	84.213	14331	158,059
Title II - Improving Teacher Quality	84.367	14341	92,392
Title II - Administrator Training	84.367	14344	406
Title II - Education Technology	84.318	14334	36
Title III - Immigrant Education	84.365	14346	8,002
Title III - LEP	84.365	10084	78,608
Title IV - Drug Free Schools	84.186	14347	14,902
Title IV - 21st Century CCLC	84.287	14349	139,995
Title IV - 21st Century Direct Access	84.287	14765	23,750
Title IV - 21st Century Family Literacy	84.287	14788	19,000
Title V - Part A, Innovative Ed Strategy	84.298A	14354	4,668
Special Education Cluster			
Special Education - IDEA Basic Local Assistance	84.027	13379	423,782
Special Education - Preschool Grants	84.173	14530	1,666
Special Education - ARRA: IDEA Basic Local Assistance	84.391	15003	97,366
Special Education - ARRA: IDEA Preschool Grants	84.392	15000	20,729
Special Education - ARRA: IDEA Preschool Local Entitlement	84.391	15002	<u>23,559</u>
Subtotal Special Education Cluster			<u>567,102</u>
ARRA: State Fiscal Stabilization	84.394	25008	<u>768,222</u>
Total U.S. Department of Education			<u>2,208,396</u>

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	\$ 786,114
Basic Breakfast Program	10.553	13525	1,025
Especially Needy Breakfast	10.553	13526	210,621
Meals Supplements - Snacks	10.555	13391	85,321
Summer Food Program	10.559	13004	50,807
Food Distribution	10.555	13391	93,664
Subtotal Child Nutrition Cluster			<u>1,227,552</u>
Total U.S. Department of Agriculture			<u>1,227,552</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Development - School Age Resource Contracts	93.575	13941	138,701
Head Start - Basic	93.600	10016	879,648
Head Start - Early Intervention	93.600	10016	242,655
Total U.S. Department of Health and Human Services			<u>1,261,004</u>
Total Expenditures of Federal Awards			<u>\$4,696,952</u>

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Gary Dew	President	2011
Dennis Thompson	Clerk	2011
Ivan Wyeth II	Trustee	2009
Lamoine Blocher	Trustee	2009
Mark O. Hughes	Trustee	2009

ADMINISTRATION

Douglas D. Baughn	Superintendent
Twila Tosh	Assistant Superintendent of Educational Services
Jim Yardy	Assistant Superintendent, Business and Classified Services

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	301	303
First through third	910	912
Fourth through sixth	954	953
Seventh and eighth	634	630
Home and hospital	2	2
Special education	57	58
Total Elementary	2,858	2,858
		<u>Hours of Attendance</u>
SUPPLEMENTAL HOURS		
Core Instruction		18,810
Remedial Instruction		20,850
Pupils Retained/Recommended for Retention		144,448
Pupils at Risk of Retention		9,775
Low STAR Score		12,315
Total Hours		206,198

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	33,325	36,000	37,800	180	175	Complied
Grades 1 - 3	50,580	50,400				
Grade 1			53,190	180	175	Complied
Grade 2			53,190	180	175	Complied
Grade 3			53,190	180	175	Complied
Grades 4 - 8	56,790	54,000				
Grade 4			58,020	180	175	Complied
Grade 5			58,020	180	175	Complied
Grade 6			58,020	180	175	Complied
Grade 7			59,795	180	175	Complied
Grade 8			59,795	180	175	Complied

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

	General Fund	Child Development Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
FUND BALANCE				
Balance, June 30, 2009, Unaudited Actuals	\$ 1,568,096	\$ 31,993	\$ 728,677	\$ 247,195
Decrease in:				
Cash in county treasury	-	-	(22,597)	(89,311)
Accounts receivable	(42,890)	(23,820)	(180,532)	-
Accounts receivable - ABX4 3 ¹	(402,253)	-	-	-
Accounts payable	-	-	-	77,242
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 1,122,953</u>	<u>\$ 8,173</u>	<u>\$ 525,548</u>	<u>\$ 235,126</u>

¹ The adjustment is the ABX4 3 un-appropriated state categoricals as described in Note 16 - Subsequent Event.

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	(Budget) 2010 ¹	2009 ³	2008 ³	2007 ³
GENERAL FUND				
Revenues and other sources	\$ 22,016,308	\$ 25,936,630	\$ 26,935,416	\$ 28,077,649
Other sources and transfers in	1,560,000	-	-	-
Total Revenues and Other Sources	23,576,308	25,936,630	26,935,416	28,077,649
Expenditures	24,271,137	26,650,229	27,841,093	27,013,029
Other uses and transfers out	-	111,804	157,118	138,632
Total Expenditures and Other Uses	24,271,137	26,762,033	27,998,211	27,151,661
INCREASE/(DECREASE) IN FUND BALANCE	\$ (694,829)	\$ (825,403)	\$ (1,062,795)	\$ 925,988
ENDING FUND BALANCE	\$ 428,124	\$ 1,122,953	\$ 1,948,356	\$ 3,011,151
AVAILABLE RESERVES²	\$ 883,990	\$ 1,727,529	\$ 1,479,851	\$ 1,720,832
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.6%	6.46%	5.3%	6.3%
LONG-TERM OBLIGATIONS	Not Available	\$ 9,350,781	\$ 9,791,215	\$ 10,200,425
AVERAGE DAILY ATTENDANCE AT P-2	2,858	2,858	3,003	3,151

The General Fund balance has decreased by \$1,888,198 over the past two years. The fiscal year 2009-10 budget projects a decrease of \$694,829 (61.9 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2009-10 fiscal year. Total long-term obligations have decreased by \$849,644 over the past two years.

Average daily attendance has decreased by 293 over the past two years. No growth of ADA is anticipated during fiscal year 2009-10.

¹ First Interim Budget 2010 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund (other than capital outlay). California Education Code Section 33128.1 allows the District to include the ABX4 3 categorical accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$402,253 of un-appropriated revenues have been included in the Available Reserves totals that are not reflected in the Audited Financial Statements. See Note 16 - Subsequent Event regarding the ABX4 3 state categorical accruals.

³ On behalf payments have been excluded from this schedule.

See accompanying note to supplementary information.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ -	\$ 500	\$ -
Receivables	10,642	133,028	8,255
Due from other funds	14,495	-	87,135
Stores inventories	-	65,490	-
Total Assets	<u>\$ 25,137</u>	<u>\$ 199,018</u>	<u>\$ 95,390</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ -	\$ 1
Accounts payable	16,964	38,437	12,914
Due to other funds	-	72,914	-
Total Liabilities	<u>16,964</u>	<u>111,351</u>	<u>12,915</u>
Fund Balances:			
Reserved for:			
Stores inventories	-	65,490	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	8,173	22,177	82,475
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	<u>8,173</u>	<u>87,667</u>	<u>82,475</u>
Total Liabilities and Fund Balances	<u>\$ 25,137</u>	<u>\$ 199,018</u>	<u>\$ 95,390</u>

See accompanying note to supplementary information.

Foundation Special Reserve Fund	Building Fund	Capital Facilities Fund	QZAB Capital Projects Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund
\$ -	\$ 616	\$ -	\$ 26,344	\$ 6,011	\$ -
10,154	2	10,518	-	-	716
-	(349)	26,493	-	29,406	524,967
-	-	-	-	-	-
<u>\$ 10,154</u>	<u>\$ 269</u>	<u>\$ 37,011</u>	<u>\$ 26,344</u>	<u>\$ 35,417</u>	<u>\$ 525,683</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
269	-	-	-	-	135
4,953	-	-	-	-	-
<u>5,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>
-	-	-	-	-	-
4,932	-	-	-	-	-
-	-	-	-	-	-
-	269	37,011	26,344	35,417	525,548
<u>4,932</u>	<u>269</u>	<u>37,011</u>	<u>26,344</u>	<u>35,417</u>	<u>525,548</u>
<u>\$ 10,154</u>	<u>\$ 269</u>	<u>\$ 37,011</u>	<u>\$ 26,344</u>	<u>\$ 35,417</u>	<u>\$ 525,683</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, Continued
JUNE 30, 2009**

	COP Capital Project Fund	Mello Roos Capital Projects Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 317,261	\$ 259,228	\$ 235,126
Receivables	-	-	-
Due from other funds	-	-	-
Stores inventories	-	-	-
Total Assets	<u>\$ 317,261</u>	<u>\$ 259,228</u>	<u>\$ 235,126</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Stores inventories	-	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	235,126
Capital projects funds	317,261	259,228	-
Total Fund Balances	<u>317,261</u>	<u>259,228</u>	<u>235,126</u>
Total Liabilities and Fund Balances	<u>\$ 317,261</u>	<u>\$ 259,228</u>	<u>\$ 235,126</u>

See accompanying note to supplementary information.

COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 368,100	\$ 1,213,186
-	173,315
-	682,147
-	65,490
<u>\$ 368,100</u>	<u>\$ 2,134,138</u>

\$ -	\$ 1
-	68,719
-	77,867
<u>-</u>	<u>146,587</u>

-	65,490
-	117,757
368,100	603,226
-	1,201,078
<u>368,100</u>	<u>1,987,551</u>
<u>\$ 368,100</u>	<u>\$ 2,134,138</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ 140,367	\$ 1,133,888	\$ -
Other state sources	296,702	158,488	-
Other local sources	60,111	647,260	4,232
Total Revenues	<u>497,180</u>	<u>1,939,636</u>	<u>4,232</u>
EXPENDITURES			
Current			
Instruction	-	-	-
Pupil Services:			
Food services	-	1,986,416	-
General administration:			
All other general administration	-	32,631	-
Plant services	345	21,817	325,675
Community services	523,286	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>523,631</u>	<u>2,040,864</u>	<u>325,675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(26,451)</u>	<u>(101,228)</u>	<u>(321,443)</u>
Other Financing Sources (Uses):			
Transfers in	-	256,624	111,804
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>256,624</u>	<u>111,804</u>
NET CHANGE IN FUND BALANCES	<u>(26,451)</u>	<u>155,396</u>	<u>(209,639)</u>
Fund Balance - Beginning	34,624	(67,729)	292,114
Fund Balance - Ending	<u>\$ 8,173</u>	<u>\$ 87,667</u>	<u>\$ 82,475</u>

See accompanying note to supplementary information.

Foundation Special Reserve Fund	Building Fund	Capital Facilities Fund	QZAB Capital Projects Fund	County School Facilities Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
9,712	10	48,301	2,176	11,790
<u>9,712</u>	<u>10</u>	<u>48,301</u>	<u>2,176</u>	<u>11,790</u>
1,000	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
19,500	-	-	-	-
-	-	-	-	-
-	-	14,982	-	-
<u>20,500</u>	<u>-</u>	<u>14,982</u>	<u>-</u>	<u>-</u>
(10,788)	10	33,319	2,176	11,790
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(10,788)	10	33,319	2,176	11,790
15,720	259	3,692	24,168	23,627
<u>\$ 4,932</u>	<u>\$ 269</u>	<u>\$ 37,011</u>	<u>\$ 26,344</u>	<u>\$ 35,417</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE, Continued
FOR THE YEAR ENDED JUNE 30, 2009**

	Special Reserve Capital Outlay Fund	COP Capital Project Fund	Mello Roos Capital Projects Fund
REVENUES			
Federal sources	\$ -	\$ -	\$ -
Other state sources	-	-	-
Other local sources	222,842	(84)	7,771
Total Revenues	<u>222,842</u>	<u>(84)</u>	<u>7,771</u>
EXPENDITURES			
Current			
Instruction	-	-	-
Pupil Services:			
Food services	-	-	-
General administration:			
All other general administration	-	-	-
Plant services	57,769	-	-
Community services	-	-	-
Debt service			
Principal	280,000	-	-
Interest and other	312,202	-	-
Total Expenditures	<u>649,971</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>(427,129)</u>	<u>(84)</u>	<u>7,771</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(256,624)	-	-
Net Financing Sources (Uses)	<u>(256,624)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(683,753)</u>	<u>(84)</u>	<u>7,771</u>
Fund Balance - Beginning	<u>1,209,301</u>	<u>317,345</u>	<u>251,457</u>
Fund Balance - Ending	<u>\$ 525,548</u>	<u>\$ 317,261</u>	<u>\$ 259,228</u>

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,274,255
-	-	455,190
239,301	3,374	1,256,796
<u>239,301</u>	<u>3,374</u>	<u>2,986,241</u>
-	-	1,000
-	-	1,986,416
-	-	32,631
-	-	405,606
-	-	542,786
185,000	-	465,000
66,370	-	393,554
<u>251,370</u>	<u>-</u>	<u>3,826,993</u>
<u>(12,069)</u>	<u>3,374</u>	<u>(840,752)</u>
-	-	368,428
-	-	(256,624)
-	-	111,804
<u>(12,069)</u>	<u>3,374</u>	<u>(728,948)</u>
247,195	364,726	2,716,499
<u>\$ 235,126</u>	<u>\$ 368,100</u>	<u>\$ 1,987,551</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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 Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues - Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 4,603,288
Reconciling items:		
Food Distribution	10.555	93,664
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,696,952</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. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2009

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.

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

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

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INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Salida Union Elementary School District
Salida, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salida Union Elementary School District as of and for the year ended June 30, 2009, which collectively comprise Salida Union Elementary School District's basic financial statements and have issued our report thereon dated February 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salida Union Elementary School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salida Union Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Salida Union Elementary School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Financial Statement Findings as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Salida Union Elementary School District in a separate letter dated February 9, 2010.

Salida Union Elementary School District's response to the finding identified in our audit is described in the accompanying Schedule of Financial Statement Findings. We did not audit Salida Union Elementary School District's response and, accordingly, express no opinion.

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

Vannick, Trine, Day & Co, LLP

Fresno, California
February 9, 2010



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

Governing Board
Salida Union Elementary School District
Salida, California

Compliance

We have audited the compliance of Salida Union Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Salida Union Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Salida Union Elementary School District's management. Our responsibility is to express an opinion on Salida Union Elementary School District's compliance based on our audit.

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

In our opinion, Salida Union Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Vannick, Trini, Day & Co, LLP

Fresno, California
February 9, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Salida Union Elementary School District
 Salida, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salida Union Elementary School District as of and for the year ended June 30, 2009, and have issued our report thereon dated February 9, 2010. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Salida Union Elementary School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Salida Union Elementary School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Independent study	23	No (see below)
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	8	Yes ²
K-8 only	1	Not Applicable ¹
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable ¹
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	No (see below)
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

¹ This program is not required to be audited per flexibility provisions in SBX3 4.

² The number of procedures to be performed was reduced per flexibility provisions in SBX3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

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

Based on our audit, we found that for the items tested, the Salida Union Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Salida Union Elementary School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Salida Union Elementary School District's compliance with the State laws and regulations referred to above.

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

Vannick, Trinis, Day & Co., LLP

Fresno, California
February 9, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010 and 84.389</u>	<u>Title I Cluster</u>
<u>84.027, 84.173, 84.391, and 84.392</u>	<u>Special Education Cluster</u>
<u>84.394</u>	<u>State Fiscal Stabilization</u>
<u>93.600</u>	<u>Head Start</u>

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

The following finding represents a significant deficiency, material weakness, and/or instance of noncompliance related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
60000	Miscellaneous

2009-1 60000

Fiscal Conditions

Criteria

School districts must practice proper planning, budgeting and fiscal management to ensure their continued ability to be a going concern and ensure that proper reserves are set aside in case of economic uncertainties.

Condition

During our audit we noted several conditions that we felt could be strong indicators of fiscal difficulties for the future. The conditions noted are:

- The General Fund has approximately \$1.6 million in payables to other funds, mainly the Special Reserve Capital Outlay Fund.
- The District has no cash balances in the operating funds (General, Cafeteria, Child Development, and the Special Reserve Non-Capital and Special Reserve Capital Outlay). The cash balances in these funds dropped from \$1,169,646 to \$-88,496.
- The District had historically used developer fees to fund their required principal and interest payments on the Certificates of Participation obligation. However, the developer fees have dropped significantly over the last few years. The required payment for 2009 was paid from the Special Reserve Capital Outlay Fund. The required principal payment for 2010 will be \$300,000 and will increase each year until paid off. It appears, based on the Special Reserve Capital Outlay Fund's 2009 revenues and no cash balances at year end, that the fund will not be able to cover the debt service payment.
- The District's available reserves did meet the three percent minimum reserve recommendation but the available reserves are projected to decrease. Additionally, the District projects to continue deficit spending for the third year in a row.
- Further depleting the reserves set aside by the board in the Special Reserve Capital Outlay Fund was an interfund transfer to the Cafeteria Fund to cover approximately \$100,000 in an operating net loss.
- The available reserves for the 2008-09 school year were sustained in part by the District utilizing approximately \$200,000 in Title I and Special Education Fiscal Stabilization funds and with \$768,222 in generally unrestricted State Fiscal Stabilization Funds which are not ongoing funding sources. Most districts did not spend these funds during the 2008-09 fiscal year therefore carrying them into the 2009-10 fiscal year to aid in further eminent State funding cuts.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

The fiscal condition of the District due to loss of revenues triggered by declining enrollment, state budget cuts and loss of developer fee revenues due to the housing market drop has raised concerns about the District's finances and their ability to maintain the minimum required reserves over the near future.

Cause

The declining enrollment of the District occurred rather rapidly and was relatively severe. The operating deficits experienced in the operating funds contributed to the funds lack of cash balances.

We do feel though that at times the communication between the Accounting Manager and the Assistant Superintendent of Business Services is not direct and clear enough. Additionally, it came to our attention that budget and financial projection prepared by the Business Manager was inaccurate and did not reflect known State cuts. An example is that the initial budget for the 2008-09 fiscal year reflected a net increase for the General Fund of \$367,000 while the actuals reflected a net decrease in fund balance of \$825,000, a \$1.2 million dollar difference.

Recommendation

We feel it is imperative for the District to stay ahead of this fiscal decline to ensure future solvency. We strongly recommend that the District contact fiscal experts and the County Office of Education to review their condition and budgets in more detail and aid the District in projecting what future cuts must be made.

District Response

The District is working closely with the County Office of Education and has hired fiscal experts to assist with the forecasting of the District Budget. In addition, the District is utilizing a Budget Advisory Committee for assistance in making the recommendations to the Board of Trustees of future budget reductions and/or revenue enhancements.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

2008-1 60000

Fiscal Conditions

Criteria

School districts must practice proper planning, budgeting and fiscal management to ensure their continued ability to be a going concern and ensure that proper reserves are set aside in case of economic uncertainties.

Condition

During our audit we noted several conditions that we felt could be strong indicators of fiscal difficulties for the future. The conditions noted are:

- The General Fund required a cash loan from the Special Reserve Funds of nearly \$1,000,000. Additionally, the Child Development and Cafeteria Funds required additional cash loans from the Special Reserve Funds. Both funds already had interfund payables recorded from prior years that had not been repaid.
- Included in the Districts available reserves are \$216,866 of interfund receivables from the Child Development and Cafeteria Fund which, in our opinion, will most likely not be paid back in the next fiscal year. Should this interfund receivable recorded in the General Fund be written off and therefore made a permanent equity transfer, the impact would reduce the Districts available reserves directly.
- The Districts cash balances in the operating funds (General, Cafeteria, Child Development, and the Special Reserve-Other and Special Reserve-Capital) have declined by nearly 70 percent from the 2007 fiscal year. The cash balances in these funds dropped from \$3,723,698 to \$1,169,646; a \$2,554,052 decrease.
- The District had historically used developer fees to fund their required principal and interest payments on the 2003 Series B Certificates of Participation obligation. The required payment for 2009 will be \$172,188. The developer fees have dropped significantly over the last few years with the fees collected and the beginning fund balance in the Capital Facilities Fund being fully depleted in 2008 to make the payment. It appears, based on 2008 revenues, that if the developer fees remain at the 2008 level, the fund will not be able to cover approximately \$100,000 of the debt payment.
- The District's available reserves did meet the three percent minimum reserve recommendation but have dropped from 2007 levels. Additionally, included in those available reserves is the interfund receivable mentioned above totaling \$216,866 which is, in our opinion, not readily available as the condition in both funds that owe the cash to the General Fund has worsened as explained above.

SALIDA UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

The fiscal condition of the District due to loss of revenues triggered by declining enrollment and loss of developer fee revenues due to the housing market drop has raised concerns about the District's finances and their ability to maintain the minimum required reserves over the near future.

Cause

The declining enrollment of the District occurred rather rapidly and was relatively severe. The operating deficits experienced in the Cafeteria and Child Development Funds contributed to a need for cash flow transfers.

We do feel though that at times the communication between the Accounting Manager and the Assistant Superintendent of Business Services is not direct and clear enough.

Recommendation

We did see that the District requested School Services of California to come in and do a fiscal study which was dated May 12, 2008. We feel that some of the information and assumptions used during this review have deteriorated once the books were actually closed for 2008. We feel it is imperative for the District to stay ahead of this fiscal decline to ensure future solvency. We strongly recommend that the District contact School Services or FCMAT to review their condition in more detail and aid the District in projecting what future cuts may be warranted.

Current Status

Partially implemented. See current year findings and recommendations.