

SALIDA UNION SCHOOL DISTRICT
Salida, California

FINANCIAL STATEMENTS
June 30, 2012

SALIDA UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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SALIDA UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Salida Union 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 Salida Union School District, as of and for the year ended June 30, 2012, which collectively comprise Salida Union School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Salida Union School District as of June 30, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 on our consideration of Salida Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule on page 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Salida Union School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Crowe Horwath LLP

Sacramento, California
December 13, 2012



Salida Union School District

District Superintendent
Twila Tosh, Superintendent

Board of Trustees
Ivan Wyeth, II
Dennis Thompson
Dr. Gary Dew
Virginia Berry
Catie Englebright

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

This annual report consists of three parts— District management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

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

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

This management's discussion and analysis of Salida Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It is District management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

These two statements report the District's net 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. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

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

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

In the Government-wide financial statements, activities are shown as Governmental activities. The District has no funds that are classified as Business-type activities. The fund-level financial statements provide more detailed information about the District's most significant funds—not the District as a whole. The District has two of the three major kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Fund Balance: The first view in an analysis of the District as a whole is fund balance and the changes that occurred during the fiscal year. The combined total of all funds increased significantly during 2011/12 (up by 23%), as in Table 1 of Ending Fund Balances below. This overall increase in fund balance is due to several factors. The General Fund increased due to continued agreements with Union groups for salary reductions, the use of Federal one time funds. General overall supervision of the Charter School and its operations have helped to increase the fund balance for the Charter School to ensure ADA reporting is accurate as well as independent study contracts. The Cafeteria Fund continues to grow due to an increase in programs offered such as Summer Feeding, Breakfast, a higher rate of reimbursement due to increased free and reduced students and an increase of catering to outside districts. The Deferred Maintenance Fund (Tier III) received their match but fewer projects were taken on during the year to restore funds for use in future years. Capital Facilities Fund increased due to additional rental revenue income.

Table 1 — Ending Fund Balances

Fund	Ending Balances	
	June 30, 2011	June 30, 2012
General	\$2,375,654	\$3,347,080
Special Reserve for other than Capital Projects (included in General Fund for reporting purposes)	110,000	195,463
Charter	196,479	228,402
Child Development	10,735	12,018
Cafeteria	173,735	269,487
Deferred Maintenance	254,402	290,276
Building Fund	268	270
Capital Facilities	90,824	96,322
County School Facilities	30,980	31,295
Special Reserve for Capital Projects	1,887,360	2,004,036
Mello-Roos Capital Projects	266,485	269,402
Bond Interest & Redemption	93,737	94,264
Total Fund Balances	\$5,380,659	\$6,642,852

A detailed analysis of the General Fund as well as each major governmental fund will be discussed in detail later in this analysis, yet it is necessary to provide a brief explanation for funds experiencing significant changes in addition to those already mentioned.

Net Assets: A second view in the analysis of the District is to look at the change in Net assets as shown on Table 2 on the next page. Net assets represent the portion of total assets actually owned free and clear by the District. The District's total Net Assets for the year ending June 30, 2011 was \$31.3 million.

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

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

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

Table 2- Statement of Net Assets

Assets	30-Jun-11	30-Jun-12	% Change
Cash and investments	\$2,191,988	\$2,154,079	-2%
Receivables	5,199,902	6,134,277	18%
Stores	78,376	73,011	-7%
Prepaid expenses	495,518	491,220	-1%
Capital assets:			
Land	7,578,569	7,578,569	0%
Improvements of sites	108,100	108,100	0%
Buildings	53,183,703	53,183,703	0%
Equipment	2,485,260	2,532,122	2%
Work in progress			
Less accumulated depreciation	<u>-28,374,646</u>	<u>-30,253,376</u>	7%
Total assets	<u>42,946,770</u>	<u>42,001,705</u>	.2%
Liabilities			
Accounts payable and other current liabilities	1,674,343	826,227	-51%
Deferred revenue	532,398	233,074	-56%
Long term liabilities	<u>9,151,501</u>	<u>9,653,449</u>	5%
Total liabilities	<u>11,358,242</u>	<u>10,712,750</u>	-6%
Net Assets			
Total net assets	<u>\$31,588,528</u>	<u>\$31,288,955</u>	-1%

Changes in Net Assets: Net assets remained relatively stable from 2010/11 to 2011/12— The District continues to be faced with declining enrollment challenges along with the California State fiscal crisis. State Funding continues with the deficit funding and deferment of operating revenue from the State, cash reserves were required to fund current operations and while cash and investments only declined by 2%, that included a temporary loan from the County office of Education for \$785,000, which is also reflected in Accounts Payable and Other Current Liabilities. This loan has since been repaid in the current fiscal year.

Table 3 — Statement of Net Activities

Revenue	2010-11	2011-12	%Change
Charges for Service	\$267,559	\$204,491	-24%
Operating Grants and Contributions	7,494,800	7,712,300	3%
Capital Grants and Contributions	294	316	7%
Total General Revenues	<u>17,861,432</u>	<u>17,240,843</u>	-3%
Total Revenue	<u>25,624,085</u>	<u>25,157,950</u>	-2%
Expenditures			
Instruction	12,647,164	14,067,726	11%
Instruction Related Service:			
Supervision of Instruction	143,150	241,114	68%
Instructional Library, Media & Technoiogy	117,383	97,227	-17%
School Site Administration	804,635	850,056	6%
Pupil Services:			
Home to School Transportation	2,567,400	566,940	-78%
Food Services	1,950,387	2,159,796	11%
All Other Pupil Services	808,703	787,910	-3%
General Administration:			
Data Processing	35,510	134,738	279%
All Other General Services	1,315,402	1,322,413	1%
Plant Services	2,114,615	2,239,412	6%
Ancillary Services	34,417	2,318	-93%
Community Services	2,546,780	2,268,332	-11%
Enterprise Activities			
Interest on Long-Term Debt	338,702	294,122	-13%
Other Outgo	<u>411,174</u>	<u>425,419</u>	3%
Total Expenses	<u>25,835,422</u>	<u>25,457,523</u>	-1%
CHANGE IN NET ASSETS — as compared to prior year	211,337	-299,573	
NET ASSETS — Effective June 30	\$31,588,528	\$31,288,955	

Table 3 is another view of Net Assets and how operations of the District impact Net Assets. Revenue minus Expenses will equal the change in Net Assets from year to year. This table looks at revenue and expenses as they are broken out by the various functions performed by the District. While Revenue had a slight decrease in 2011-12 the District was able to reduce expenditures by \$377K.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The General Fund increased due to reduction of expenditures including salary concessions from employees. Federal and State revenues remained relative stable.

The Charter School's revenue has been increasing each year as enrollment grows. This fund has an accounts payable from a prior year audit exception that will be paid out each year.

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

The Cafeteria Fund saw an increase to in revenue due to an increase in reimbursable free and reduced meal servings. The Cafeteria Fund has also increased outside catering services. This greater revenue allowed the Cafeteria fund to contribute at a higher level to the General fund in closer recognition of the total cost of the Cafeteria fund.

Capital Funds: The District's capital funds are: Capital Facilities, County Schools Facilities, and Special Reserve for Capital Projects. These funds have remained relative stable except for the Special Reserve Fund for Capital Projects which a transfer from the General Fund for equipment and vehicle replacement was made. It should be noted that both the Capital Facilities and County School Facility Funds are self-supporting. Refer to Table 1 for all "Governmental Fund" ending balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District receives revenue for the General Fund from several sources. The primary revenue sources are shown in Figure 1. The primary functions of the District are: Instruction, Instruction Related activities, Pupil Services and Plant Services. Figure 2 identifies the District's spending in terms of those functions. It is important to note that General Administration accounts for only 5% of total expenditures. When expenditures are viewed by what is purchased (Vs. Why), you will note that salaries and employee benefits consume 75% of total expenditures, as shown in Figure 3.

Figure 1

Revenue Limit	%	Value
		\$12,303,900
		1,188,123
		1,355,050
		722,937
		1,377,395
		2,110,704
		512,688
TOTAL	100%	\$19,732,705

Figure 2

Expenditures by Function	%	Value
Instruction	64%	\$12,465,808
Instruction Related	6%	1,188,123
Pupil Services	7%	1,355,050
Ancillary / Community Services	4%	722,937
General Admin	7%	1,377,395
Plant Services	11%	2,110,704
All Other	2%	512,688
TOTAL	100%	\$19,732,705

Figure 3

Expenditures by Object	%	Value
Certificated Salaries	46%	\$9,054,412
Classified Salaries	16%	3,151,990
Employee Benefits	14%	2,721,724
Books and Supplies	3%	730,152
Services	19%	3,698,563
Capital Outlay/Other	2%	323,329
TOTAL	100%	\$19,732,705

CAPITAL ASSET AND DEBT ADMINISTRATION

- In past years, the District had incurred long term debt in the acquisition and construction of facilities and other capital assets. Due to current operational needs and to address cash flow needs, the District refinanced some of that associated debt in May 2010. The refinancing allowed the District to lessen the immediate debt payments by making interest only payments until future years, when it is hoped that the State will begin to restore funding currently owed, either through deficit funding or deferrals, to California Local Education Agencies. Current and projected revenue streams with minimal general fund contributions are sufficient to service these obligations.
- There were no significant changes to capital assets in the current year.

	6/30/2011	Additions	Deletions	6/30/2012	Due Within One Year
GO Bonds	\$ 875,000		\$ 65,000	\$ 810,000	\$ 70,000
Certificates of Participation	6,830,000		85,000	5,745,000	90,000
QZABs	2,000,000	-		2,000,000	
ERIP	395,000		117,500	277,500	92,500
Compensated Absences	51,501	-	15,552	35,949	
	\$ 9,151,501	\$	\$ 283,052	\$ 8,868,449	\$ 252,500

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

Challenges: At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

Decline in the district enrollment. Average Daily Attendance (ADA) in the District continued to decline during the 2011/12 year. Year-to-Date enrollment so far in 2012/13 has declined by 82 students (since May 2012).

- Continued rising costs for special education. Transportation costs have continued to rise over the last several years as the State of California continues to cut funding. Payments to the County for serving some of the District's students as seen more than a ten-fold increase since 2005/06. Non-public school/non-public agency placement costs have nearly tripled since 2001-02. Additionally, the state has not passed on increases in federal funding for special education, instead using the funding to offset problems within the state's budget. This will continue to be a significant challenge to the District.
- Fiscal Uncertainty from the State. The State of California's budget crisis continues, however the citizens of California recently passed Proposition 30 which should enable California to avoid drastic mid-year cuts to school districts throughout. At the Federal level there are impending possible cuts due to Federal Sequestration. The legislature is currently working on a solution but the results will be unknown until end of the year.
- **Strengths:** There are also factors that work in the District's favor when looking at the long-term financial future of Salida Union School District:
 - Health insurance cost containment. It should be noted that two significant challenges facing many districts, rising health costs and escalating retiree benefit obligations, are not factors for the District as these were capped many years ago.
 - Experienced Leadership and Staff. The District enjoys stability in its Board of Education and has the benefit of both an experienced and highly capable certificated and classified staff.
 - Employee relations. The District has an excellent relationship with its employee organizations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of Sue Tallcott, Salida Union School District, 4801 Sisk Road, Salida, CA 95368 or (209) 545-0339, extension 3154

BASIC FINANCIAL STATEMENTS

SALIDA UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 2,154,079
Receivables	6,134,277
Prepaid expenditures	491,220
Stores inventory	73,011
Non-depreciable capital assets (Note 4)	7,578,569
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>25,570,549</u>
Total assets	<u>42,001,705</u>
LIABILITIES	
Accounts payable	826,227
Current loans	785,000
Deferred revenue	233,074
Long-term liabilities (Note 5):	
Due within one year	252,500
Due after one year	<u>8,615,949</u>
Total liabilities	<u>10,712,750</u>
NET ASSETS	
invested in capital assets, net of related debt	26,465,546
Restricted (Note 6)	1,715,473
Unrestricted	<u>3,107,936</u>
Total net assets	<u><u>\$ 31,288,955</u></u>

See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

			Program Revenues			Net (Expense) Revenues and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Governmental activities (Note 4):						
Instruction	\$ 14,067,726	\$ 22,278	\$ 2,689,745	\$ 316	\$	(11,355,387)
Instruction-related services:						
Supervision of instruction	241,114	1,144	128,019			(111,951)
Instructional library, media and technology	97,227		30,400			(66,827)
School site administration	850,056		12,093	-		(837,963)
Pupil services:						
Home-to-school transportation	566,940		181,316			(385,624)
Food services	2,159,796	165,349	1,915,907			(78,540)
All other pupil services	787,910	1,070	177,585			(609,255)
General administration:						
Data processing	134,738		36,348			(98,390)
All other general administration	1,322,413	8,051	153,767	-		(1,160,595)
Plant services	2,239,412	3,324	82,069			(2,154,019)
Ancillary services	2,318					(2,318)
Community services	2,268,332		2,168,484	-		(99,848)
Interest on long-term liabilities	294,122					(294,122)
Other outgo	425,419	3,275	136,567			(285,577)
	\$ 25,457,523	\$ 204,491	\$ 7,712,300	\$ 316		(17,540,416)
General revenues:						
Taxes and subventions:						
						2,956,309
						111,419
						142,149
						13,207,579
						63,107
						760,280
			Total general revenues			17,240,843
						(299,573)
						Net assets, July 1, 2011
						31,588,528
						\$ 31,288,955

See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Special Reserve for Capital Projects Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 8,758	\$ 100	\$ 263,793	\$ 272,651
Cash in revolving fund	10,000		-	10,000
Cash with Fiscal Agent	..	1,871,428	-	1,871,428
Receivables	5,569,063	15,878	549,336	6,134,277
Due from other funds	6,221	116,630	789,308	912,159
Stores inventory		-	73,011	73,011
Prepaid expenditures	35,768	-	-	35,768
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 5,629,810	\$ 2,004,036	\$ 1,675,448	\$ 9,309,294
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 591,090	\$ -	\$ 145,119	\$ 736,209
Current loans	785,000		-	785,000
Due to other funds	849,349	-	62,810	912,159
Deferred revenue	57,291	-	175,783	233,074
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,282,730		383,712	2,666,442
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Nonspendable	45,768	-	73,011	118,779
Restricted	291,129	2,004,036	1,218,725	3,513,890
Assigned	1,832,276	-	-	1,832,276
Unassigned	1,177,907	-	-	1,177,907
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	3,347,080	2,004,036	1,291,736	6,642,852
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 5,629,810	\$ 2,004,036	\$ 1,675,448	\$ 9,309,294
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See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balances - Governmental Funds	\$	6,642,852
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$63,402,494 and the accumulated depreciation is \$30,253,376 (Note 4).</p>		33,149,118
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2012 consisted of (Note 5):</p>		
General Obligation Bonds	\$	(810,000)
Certificates of Participation		(5,745,000)
Qualified Zone Academy Bond		(2,000,000)
Early retirement incentive plan (ERIP)		(277,500)
Compensated absences		<u>(35,949)</u>
		(8,868,449)
<p>In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.</p>		455,452
<p>Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in the governmental funds.</p>		<u>(90,018)</u>
Total net assets - governmental activities	\$	<u>31,288,955</u>

See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	General Fund	Special Reserve for Capital Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Revenue limit sources:				
State apportionment	\$ 10,518,280			\$ 10,518,280
Local sources	2,985,700			2,985,700
Total revenue limit	13,503,980			13,503,980
Federal sources	1,736,001		1,430,491	3,166,492
Other state sources	3,690,355		463,223	4,153,578
Other local sources	1,840,796	413,984	2,079,120	4,333,900
Total revenues	20,771,132	413,984	3,972,834	25,157,950
Expenditures:				
Certificated salaries	9,005,412		634,975	9,640,387
Classified salaries	3,151,990		1,241,659	4,393,649
Employee benefits	2,721,724		508,487	3,230,211
Books and supplies	730,152		1,089,489	1,819,641
Contract services and operating expenditures	3,698,563		210,498	3,909,061
Capital Outlay	15,711	11,255	19,251	46,217
Other outgo	409,153			409,153
Debt service:				
Principal retirement	-	85,000	65,000	150,000
Interest	-	251,053	46,385	297,438
Total expenditures	19,732,705	347,308	3,815,744	23,895,757
Excess of revenues over expenditures	1,038,427	66,676	157,090	1,262,193
Other financing sources (uses):				
Operating transfers in	101,535	50,000	118,536	270,071
Operating transfers out	(168,536)		(101,535)	(270,071)
Total other financing sources (uses)	(67,001)	50,000	17,001	
Net change in fund balances	971,426	116,676	174,091	1,262,193
Fund balances, July 1, 2011	2,375,654	1,887,360	1,117,645	5,380,659
Fund balances, June 30, 2012	<u>\$ 3,347,080</u>	<u>\$ 2,004,036</u>	<u>\$ 1,291,736</u>	<u>\$ 6,642,852</u>

See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

Net change in fund balances - Total Governmental Funds	\$ 1,262,193
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increase capital assets in the statement of net assets (Note 4).	46,862
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(1,878,730)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	150,000
In the governmental funds, debt issuance costs are recognized as expenditures. In the government-wide statements, issuance costs are amortized over the life of the debt.	(16,266)
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases liabilities in the statement of net assets.	3,316
In the statement of activities, expenses related to early retirement incentives and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>133,052</u> <u>(1,561,766)</u>
Change in net assets of governmental activities	<u>\$ (299,573)</u>

See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
ALL AGENCY FUNDS
June 30, 2012

	Student Body Fund
ASSETS	
Cash on hand and in banks (Note 2)	\$ <u>147,228</u>
LIABILITIES	
Due to student groups	<u>147,228</u>
NET ASSETS	
Net assets	<u>\$</u>

See accompanying notes to financial statements.

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salida Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Board does not have significant influence over any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board.

The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities.

Basis of Presentation - Financial Statements

The financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into two broad categories which, in aggregate, include five fund types as follows:

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year-end balances of the Special Reserve for Other Than Capital Outlay Projects Fund is combined with the General Fund.

2 Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This classification includes the Charter, Child Development, Cafeteria and Deferred Maintenance Funds.

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This classification includes the Special Reserve for Capital Projects, Building, Capital Facilities, County School Facilities and Mello-Roos Capital Project Funds.

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A Governmental Fund Types (Continued)

4 - Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs. This classification includes the Bond Interest and Redemption Fund.

B Fiduciary Fund Type

1 - Agency Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Account. For Student Body Accounts, individual totals by school and club, are maintained within the District's accounting system.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNT POLICIES** (Continued)

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Compensated Absences

Compensated absences in the amount of \$35,949 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all STRS and CalPERS employees, when the employee retires.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Stores Inventory

Stores inventory is recorded using the consumption method, in that inventory acquisitions are initially recorded in the inventory asset account, and then charged to expenditure when used. inventory reserves are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net assets.

Current Loan

On March 20, 2012, pursuant to Education Code section 42622, the District approved a temporary cash loan to the District from the Stanislaus County Superintendent of Schools in the amount of \$2,000,000 to allow the District to meet current operating expenses. As of June 30, 2012, the remaining balance of the current loan was \$785,000 bearing a 1.235% interest rate and maturing on June 30, 2013.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Revenues from federal, state, and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net assets restricted for special purposes, capital projects and the retirement of debt. It is the District's policy to use restricted net assets first when allowable expenditures are incurred.

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted fund balances as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

C - Committed Fund Balance: (Continued)

Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2012, the District had no committed fund balances.

D Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2012, no such designation has occurred.

E Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Placer bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consisted of the following:

	Governmental Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 272,651	\$
Deposits:		
Cash on hand and in banks		147,228
Cash in revolving fund	10,000	
Cash with Fiscal Agent	1,871,428	
Total	\$ 2,154,079	\$ 147,228

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Stanislaus County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Stanislaus County Treasurer may invest in derivative securities. However, at June 30, 2012, the Stanislaus County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$157,228 and the bank balances were \$175,059, all of which was covered by FDIC insurance.

Cash with Fiscal Agent

Cash with Fiscal Agent represent amounts held by a third party custodian in the District's name for future payment of the QZAB Bond and Certificates of Participation.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District for goods and services are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and from other funds.

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2012 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	6,221	\$ 849,349
Special Reserve for Capital Projects	116,630	
Non-Major Funds:		
Charter School	132,895	
Child Development	69,840	
Cafeteria		62,451
Deferred Maintenance	289,737	
Building	2	359
Capital Facilities	72,018	
County School Facilities	23,398	
Mello-Roos Capital Project	201,418	
Totals	\$ 912,159	\$ 912,159

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2011-2012 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for major repairs.	\$ 118,534
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the future COP payments.	50,000

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the Cafeteria Fund to the General Fund for indirect costs.	96,976
Transfer from the Child Development Fund to the General Fund for indirect costs.	4,559
Transfer from the General Fund to the Building Fund for eliminating the negative interest in the Building Fund.	<u>2</u>
	<u><u>\$ 270,071</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2012, is shown below:

	Balance July 1, 2011	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2012
Non-depreciable:				
Land	\$ 7,578,569	\$		\$ 7,578,569
Depreciable:				
Improvement of sites	108,100			108,100
Buildings	53,183,703			53,183,703
Equipment	<u>2,485,260</u>	<u>46,862</u>		<u>2,532,122</u>
Totals, at cost	<u>63,355,632</u>	<u>46,862</u>		<u>63,402,494</u>
Less accumulated depreciation:				
Improvement of sites	(34,254)	(7,207)		(41,461)
Buildings	(26,210,348)	(1,775,738)		(27,986,086)
Equipment	<u>(2,130,044)</u>	<u>(95,785)</u>		<u>(2,225,829)</u>
Total accumulated depreciation	<u>(28,374,646)</u>	<u>(1,878,730)</u>		<u>(30,253,376)</u>
Capital assets, net	<u>\$ 34,980,986</u>	<u>\$ (1,831,868)</u>	<u>\$</u>	<u>\$ 33,149,118</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,690,857
Food services	<u>187,873</u>
Total depreciation expense	<u><u>\$ 1,878,730</u></u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM LIABILITIES

General Obligation Bonds

The outstanding General Obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2011	Redeemed	Bonds Outstanding June 30, 2012
1988	2021	5.00-5.50	\$ 1,500,000	\$ 875,000	\$ 65,000	\$ 810,000

A 1988 Series B General Obligation Bonds

On January 1, 1996, the District issued 1988 General Obligation Bonds, Series B totaling \$1,500,000. Repayment of the bonds are made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest rates from 5.5% to 5.6% and are scheduled to mature between 1999 and 2021.

The 1988 Series B General Obligation Bonds mature through 2021 as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 70,000	\$ 42,705	\$ 112,705
2014	75,000	38,718	113,718
2015	80,000	34,415	114,415
2016	85,000	29,837	114,837
2017	90,000	25,025	115,025
2018-2021	410,000	46,475	456,475
	<u>\$ 810,000</u>	<u>5 217,175</u>	<u>\$ 1,027,175</u>

Certificates of Participation (COPs)

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.

On April 19, 2010, the District issued \$4,395,000 in Certificates of Participation for the advance refunding and defeasance of the 2001 Certificates of Participation and the 2003A Taxable Certificates of Participation. The 2010 Refunding Certificates of Participation have interest rates ranging from 3.25 to 4.60 percent. Interest is payable on the Certifications each May and November 1, commencing November 1, 2010. Principal payments on the Certificates will be due on May 1, commencing on May 1, 2016.

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs) (Continued)

A 2003B Certificates of Participation Issuance

The 2003B Certificates of Participation mature through 2023 as follows:

Year Ending June 30.	<u>Payments</u>
2013	\$ 170,775
2014	171,230
2015	170,482
2016	169,432
2017	173,080
2018-2022	862,870
2023	<u>169,680</u>
	1,887,549
Less amount representing interest	<u>(537,549)</u>
Present value of net payments	<u>\$ 1,350,000</u>

B 2010 Refunding Certificates of Participation Issuance

The 2010 Refunding Certificates of Participation mature through 2040 as follows:

Year Ending June 30,	<u>Payments</u>
2013	\$ 208,520
2014	208,520
2015	208,520
2016	308,520
2017	310,270
2018-2022	1,544,375
2023-2027	1,540,810
2028-2032	1,544,000
2033-2037	1,543,750
2038-2040	<u>925,500</u>
	8,342,785
Less amount representing interest	<u>(3,947,785)</u>
Present value of net payments	<u>\$ 4,395,000</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bonds

On May 9, 2001, the District issued \$2,000,000 in Qualified Zone Academy Bonds. The Bonds were issued to finance the installation of technology infrastructure and related service upgrades and to facilitate the modernization and equipping of the K-8 Magnet School Academy located at Salida Elementary School. Interest is not payable with the bonds. In lieu of receiving periodic interest payments, eligible holders of the Bonds are allowed an annual federal income tax credit equal to the credit rate times the face amount of the Bond. The tax credit rate for the Bonds is 7.08 percent. The District initially deposited \$870,596 in a trustee account that has been invested in an AIG Guaranteed Investment Contract paying 6.1209 percent. The account balance as of June 30, 2012 is \$1,699,214. 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.

Early Retirement Incentive Plan

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

Year Ending June 30,	Payments
2013	92,500
2014	92,500
2015	92,500
	\$ 277,500

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
General Obligation Bonds	\$ 875,000	\$	\$ 65,000	\$ 810,000	\$ 70,000
Certificates of Participation	5,830,000		85,000	5,745,000	90,000
Qualified Zone Academy Bond	2,000,000			2,000,000	
ERIP	395,000		117,500	277,500	92,500
Compensated absences	51,501		15,552	35,949	
	<u>\$ 9,151,501</u>	<u>\$</u>	<u>283,052</u>	<u>\$ 8,868,449</u>	<u>\$ 252,500</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation are made from the Special Reserve for Capital Projects Fund. Payments on the ERIP and compensated absences are made from the fund for which the related employee worked.

6. NET ASSETS / FUND BALANCES

The restricted net assets as of June 30, 2012 consisted of the following:

	<u>Governmental Activities</u>
Restricted for:	
Unspent categorical program revenues	\$ 291,129
Special revenue funds	800,183
Capital projects funds	529,897
Debt repayment	<u>94,264</u>
	<u><u>\$ 1,715,473</u></u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. NET ASSETS I FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2012 consisted of the following:

	General Fund	Special Reserve for Capital Projects Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 10,000	\$ -	\$ -	\$ 10,000
Prepaid expenses	35,768	-	-	35,768
Stores inventory	-	-	73,011	73,011
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal nonspendable	45,768	-	73,011	118,779
Restricted:				
Unspent categorical revenues	291,129	-	-	291,129
Special revenue programs	-	-	727,172	727,172
Capital projects	-	2,004,036	397,289	2,401,325
Debt service	-	-	94,264	94,264
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal restricted	291,129	2,004,036	1,218,725	3,513,890
Assigned:				
Equipment replacement	195,463	-	-	195,463
ASP Parent Fees	114,872	-	-	114,872
Instructional Materials	308,046	-	-	308,046
Technology Infrastructure	75,000	-	-	75,000
Reserve for budget cuts	1,138,895	-	-	1,138,895
	<hr/>	<hr/>	<hr/>	<hr/>
Board assignments	1,832,276	-	-	1,832,276
Unassigned:				
Designated for Economic Uncertainties	588,935	-	-	588,935
Undesignated	588,972	-	-	588,972
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal undesignated	1,177,907	-	-	1,177,907
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>\$ 3,347,080</u>	<u>\$ 2,004,036</u>	<u>\$ 1,291,736</u>	<u>\$ 6,642,852</u>

7. EMPLOYEE RETIREMENT SYSTEMS

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7. **EMPLOYEE RETIREMENT SYSTEMS** (Continued)

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

the CalPERS annual financial report may be obtained from the Ca1PERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$500,037, \$492,134 and \$485,588, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$935,706, \$754,865 and \$741,279, respectively, and equal 100% of the required contributions for each year.

8. JOINT POWERS AGREEMENT

The District is a member of a Joint Powers Authority, Central Region Schools' Insurance Group (CRSIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property/liability and health and welfare insurance. CRSIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of CRSIG, including selections of management and approval of operating budgets.

The following is a summary of financial information for CRSIG at June 30, 2011 (the most recent information available):

Total assets	\$ 45,327,521
Total liabilities	\$ 19,622,069
Net assets	\$ 25,705,452
Total revenues	\$ 15,213,983
Total expenses	\$ 17,128,869
Change in net assets	\$ (1,914,886)

The relationship between the District and CRSIG is such that CRSIG is not a component unit of the District for financial reporting purposes.

9. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the Opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received state and federal funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 10,514,849	\$ 10,539,183	\$ 10,518,280	\$ (20,903)
Local sources	3,118,876	2,961,814	2,985,700	23,886
Total revenue limit	<u>13,633,725</u>	<u>13,500,997</u>	13,503,980	2983
Federal sources	1,546,783	1,845,584	1,736,001	(109,583)
Other state sources	3,570,745	3,516,268	3,690,355	174,087
Other local sources	<u>1,558,808</u>	<u>1,643,648</u>	<u>1,840,796</u>	<u>197,148</u>
Total revenues	<u>20,310,061</u>	<u>20,506,497</u>	<u>20,771,132</u>	<u>264,635</u>
Expenditures:				
Certificated salaries	9,047,054	9,223,218	9,005,412	217,806
Classified salaries	3,293,110	3,227,807	3,151,990	75,817
Employee benefits	2,861,490	2,912,968	2,721,724	191,244
Books and supplies	951,270	1,051,057	730,152	320,905
Contract services and operating expenditures	3,701,055	4,127,109	3,698,563	428,546
Capital outlay		15,812	15,711	101
Other outgo	<u>407,000</u>	<u>478,868</u>	<u>409,153</u>	<u>69,715</u>
Total expenditures	<u>20,260,979</u>	<u>21,036,839</u>	<u>19,732,705</u>	<u>1,304,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,082</u>	<u>(530,342)</u>	<u>1,038,427</u>	<u>1,568,769</u>
Other financing sources (uses):				
Operating transfers in	82,081	5,000	101,535	96,535
Operating transfers out	<u>(213,949)</u>	<u>(263,536)</u>	<u>(168,536)</u>	<u>95,000</u>
Total other financing sources (uses)	<u>(131,868)</u>	<u>(258,536)</u>	<u>(67,001)</u>	<u>191,535</u>
Net change in fund balance	<u>(82,786)</u>	<u>(788,878)</u>	<u>971,426</u>	<u>1,760,304</u>
Fund balance, July 1, 2011	<u>2,375,654</u>	<u>2,375,654</u>	<u>2,375,654</u>	
Fund balance, June 30, 2012	<u>2,292,868</u>	<u>\$ 1,586,776</u>	<u>\$ 3,347,080</u>	<u>\$ 1,760,304</u>

See accompanying note to required supplementary information.

SALIDA UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

SUPPLEMENTARY INFORMATION

SALIDA UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2012

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance	Bus Fund	Capital Facilities Fund	Capital Project Fund	Mello-Roos Capital Project Fund	Total
Revenues:									
Federal sources	\$ -	\$ -	\$ 1,430,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,430,491
Other state sources	282,656	282,656	119,583	-	-	-	-	-	684,935
Other local sources	1,282,391	1,282,391	674,310	1,000	-	8,888	2,917	8,888	2,268,597
Total revenues	1,565,047	1,565,047	2,125,194	1,000	-	8,888	2,917	8,888	3,266,181
Expenditures:									
Certificated salaries	1,500,000	1,500,000	-	-	-	-	-	-	3,000,000
Classified salaries	282,656	282,656	-	-	-	-	-	-	565,312
Employee benefits	88,000	88,000	-	-	-	-	-	-	176,000
Books and supplies	88,000	88,000	1,000,000	12,420	-	-	-	-	1,178,420
Contract services and operating expenditures	58,200	58,200	7,500	72,144	-	-	-	-	138,044
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	1,828,856	1,828,856	2,031,656	84,564	-	-	-	-	3,815,744
Change in fund balances:									
Beginning fund balances	31,373	5,842	18,288	(8,900)	-	5,088	2,917	315	57,823
Revenues	-	-	-	118,588	2	-	-	-	118,592
Expenditures	-	(4,559)	(90,976)	-	-	-	-	-	(95,485)
Change in fund balances	31,373	1,283	27,312	109,688	2	5,088	2,917	315	128,008
Total fund balances	62,746	7,125	45,600	118,590	2	10,176	5,834	630	128,008
Fund balances, July 1, 2011	174,001	10,000	178,955	254,402	280	10,000	8,888	8,888	1,117,045
Fund balances, June 30, 2012	206,747	17,125	173,567	254,402	282	15,176	11,747	9,518	1,245,054

Fund balances, July 1, 2011
Fund balances, June 30, 2012

SALIDA UNION SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Dena Boer Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 10,206	\$ 16,526	\$ 19,529	\$ 7,203
Liabilities:				
Due to student groups	\$ 10,206	\$ 16,526	\$ 19,529	\$ 7,203
<u>Salida Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 5,400	\$ 5,393	\$ 6,093	\$ 4,700
Liabilities:				
Due to student groups	5,400	5,393	\$ 6,093	\$ 4,700
<u>Sisk Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 22,214	\$ 22,132	\$ 24,299	\$ 20,047
Liabilities:				
Due to student groups	\$ 22,214	\$ 22,132	\$ 24,299	\$ 20,047
<u>Salida Middle</u>				
Assets:				
Cash on hand and in banks	\$ 123,368	\$ 205,727	\$ 213,817	\$ 115,278
Liabilities:				
Due to student groups	\$ 123,368	\$ 205,727	\$ 213,817	\$ 115,278
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 161,188	\$ 249,778	\$ 263,738	\$ 147,228
Liabilities:				
Due to student groups	\$ 161,188	\$ 249,778	\$ 263,738	\$ 147,228

SALIDA UNION SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

Salida Union School District was established in 1949 and is comprised of an area of approximately 31 square miles located in Stanislaus County. There were no changes in the District's boundaries in the current year. The District is currently operating three elementary schools and one middle school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dennis Thompson	President	2015
Catie L. Englebright	Clerk	2013
Ivan Wyeth, II	Trustee	2013
Dr. Gary L. Dew	Trustee	2015
Virginia L. Berry	Trustee	2013

ADMINISTRATION

Twila Tosh
Superintendent

Rex Tschetter
Director II, Human Resources, Pupil Services, District Services

Sue Tallcott
Supervisor of Business Services

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2012

	Second Period Report	Annual Report
<u>Traditional Schools</u>		
Elementary:		
Kindergarten	255	255
First through Third	803	801
Fourth through Sixth	833	831
Seventh and Eighth	609	607
Home and Hospital	1	1
Special Education	50	51
Totals	2,551	2,546
<u>Independence Charter School (Nonclassroom-Based)</u>		
Kindergarten	2	2
First through Third	3	3
Fourth through Sixth	4	4
Seventh and Eighth	6	6
Totals	15	15

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2012

Grade Level	Statutory 1986-87 Minutes Require- ment	Reduced 1986-87 Minutes Require- ment	Statutory 1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	2011-12 Actual Minutes	Number of Days Traditional Calendar	Status
<u>DISTRICT</u>							
Kindergarten	36,000	35,000	33,325	32,399	52,090	175	In Compliance
Grade 1	50,400	49,000	50,580	49,175	52,090	175	In Compliance
Grade 2	50,400	49,000	50,580	49,175	52,090	175	In Compliance
Grade 3	50,400	49,000	50,580	49,175	52,090	175	In Compliance
Grade 4	54,000	52,500	56,790	55,213	55,745	175	In Compliance
Grade 5	54,000	52,500	56,790	55,213	55,745	175	In Compliance
Grade 6	54,000	52,500	56,790	55,213	58,757	175	In Compliance
Grade 7	54,000	52,500	56,790	55,213	58,757	175	In Compliance
Grade 8	54,000	52,500	56,790	55,213	58,757	175	In Compliance

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title II EETT Cluster:		
84.318	Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	2,248
84.386	ARRA Title II, Part D, Enhancing Education Through Technology	15019	<u>5,271</u>
	Subtotal NCLB: Title II EETT Cluster		<u>7,519</u>
84.010	NCLB: Title I, Part A, Basic Grants	14329	366,133
84.027	Special Education - IDEA Basic Local Assistance	13379	437,301
84.367	Title II, Part A, Improving Teacher Quality	14341	91,929
84.365	Title III, LEP	14346	120,560
84.410	Education Jobs Fund (SB 847)	25152	519,633
84.287	Title IV, 21st Century CCLC	14349	186,125
84.186	Title IV, Part A, Safe and Drug-Free Schools	14347	<u>6,801</u>
	Total U.S. Department of Education		<u>1,736,001</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option	10013	<u>49,038</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: National School Lunch	13666	<u>1 430,491</u>
	Total Federal		<u>\$ 3,215,530</u>

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2012

	Special Reserve for Capital Projects <u>Fund</u>
Unaudited Actuals ending Fund Balance, June 30, 2012	\$ 1,861,017
To record prior year audit adjusting entry	88,931
To record Cash with Fiscal Agent current year activity	<u>54,088</u>
Audited ending Fund Balance, June 30, 2012	<u>\$ 2,004,036</u>
	Charter School <u>Fund</u>
Unaudited Actuals ending Fund Balance, June 30, 2012	\$ 141,367
To correct overstatement of accounts payable entry made for the improper accrual of the 2009/10 Charter School compliance finding.	<u>87,035</u>
Audited ending Fund Balance, June 30, 2012	<u>\$ 228,402</u>

There were no adjustments made to any other funds of the District.

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2012

(Unaudited)

<u>General Fund</u>	(Budget) 2013	2012	2011	2010
Revenues and other financing sources	\$ 19,383,281	\$ 20,872,667	\$ 21,406,557	\$ 22,374,967
Expenditures	19,222,707	19,732,705	19,998,467	22,965,240
Other uses and transfers out		168,536	411,012	118,668
Total outgo	19,222,707	19,901,241	20,409,479	23,083,908
Change in fund balance	160,574	\$ 971,426	\$ 997,078	\$ (708,941)
Ending fund balance	\$ 3,507,654	\$ 3,347,080	\$ 2,375,654	\$ 1,378,576
Available reserves	\$ 1,370,717	\$ 1,177,907	\$ 870,740	\$ 1,229,074
Designated for economic uncertainties	574,227	\$ 588,935	\$	\$ 688,266
Unassigned fund balance	\$ 796,490	\$ 588,972	\$ 870,740	\$ 540,808
Available reserves as a percentage of total outgo	7.13%	5.92%	4.12%	5.32%
<u>All Funds</u>				
Total long-term liabilities	\$ 8,615,949	\$ 8,868,449	\$ 9,151,501	\$ 9,440,533
Average daily attendance at P-2	2,501	2,551	2,628	2,749

The General Fund fund balance has increased by \$1,259,563 over the past three fiscal years. The District projects a decrease of \$160,574 for the year ending June 30, 2013. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2012 the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 2012-2013 fiscal year.

Total long-term liabilities have decreased by \$572,084 over the past two years.

Average daily attendance has decreased by 198 over the past two years. The District anticipates a decrease of 50 ADA during the fiscal year ending June 30, 2012.

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2012

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Independence Charter School	Included in the Charter School Fund

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A – Schedule of Average Daily Attendance

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

B – 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 46201 through 46206.

C – Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 3,166,492
Add: Medi-Cal Billing Option funds not spent	93.778	<u>49,038</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,215,530</u>

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

E Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2012-2013 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F — Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2012, the District did not adopt such a program.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Salida Union School District
Salida, California

We have audited the compliance of Salida Union School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Salida Union School District's management. Our responsibility is to express an opinion on Salida Union 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 the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Salida Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salida Union School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	3	No, see below
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom Based, for charter schools	4	No, see below

We did not perform any procedures related to Independent Study or Continuation Education because the District does not offer these programs.

We did not perform any procedures related to instructional time for County Offices of Education because the District is not a County Office,

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

We did not perform procedures related to Juvenile Court Schools because the District does not offer Juvenile Court Schools.

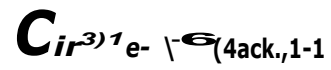
We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Program - Before School because the District did not offer this program.

We did not perform any procedures related to Contemporaneous Records of Attendance for charter schools and Annual Instructional Minutes - Classroom-Based for charter schools because the District does not have any classroom-based charter schools.

In our opinion, Salida Union School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. Further, based on our examination, for items not tested, nothing came to our attention to indicate the Salida Union School District had not complied with the state laws and regulations.

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



Crowe Horwath LLP

Sacramento, California
December 13, 2012

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

Board of Trustees
Salida Union School District
Salida, California

We have audited the financial statements of Salida Union School District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. 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

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

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

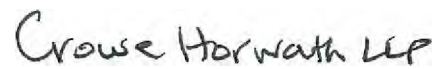
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01, we identified deficiencies in internal control over financial reporting that we consider to be a significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We also identified a certain matter that we have communicated to management that is included in the Schedule of Audit Findings and Questioned Costs as Finding 2012-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salida Union 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*.

The District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. However, we did not audit the response and, accordingly, we express no opinion on it.

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



Crowe Horwath LLP

Sacramento, California
December 13, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Salida Union School District
Salida, California

Compliance

We have audited Salida Union School Districts compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salida Union School District's major federal programs for the year ended June 30, 2012. Salida Union School Districts major federal programs are identified in the accompanying Schedule of Expenditure of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Salida Union School District's management. Our responsibility is to express an opinion on Salida Union School District's compliance based on our audit.

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

In our opinion, Salida Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Salida Union 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 School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salida Union School District's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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Crowe Horwath LLP

Sacramento, California
December 13, 2012

FINDINGS AND RECOMMENDATIONS

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.419	Education Jobs Fund (SB 847)
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unqualified

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 SIGNIFICANT DEFICIENCY - INTERNAL CONTROLS OVER FINANCIAL REPORTING (30000)

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

The journal entries required to properly record the cash with fiscal agent activities were not prepared and recorded in the Special Reserve for Capital Projects Fund. Also, prior year adjusting journal entries were not posted to the District's Unaudited Actuals as of June 30, 2012.

Effect

Special Reserve for Capital Projects Fund fund balance was understated by \$88,931. Cash with Fiscal Agent and Interest Income were understated by \$54,088 at June 30, 2012. Charter School fund balance was understated by \$87,035.

Cause

Proper internal controls were not implemented to ensure proper accounting for the cash with fiscal agent activities and to ensure proper recording of the prior year adjusting entries.

Fiscal Impact

Cash with Fiscal Agent and Interest Income were understated by \$54,088 at June 30, 2012. Charter School fund balance was understated by \$87,035. Special Reserve for Capital Projects Fund fund balance was understated by \$88,931.

Recommendation

The District should establish procedures to ensure that all cash with fiscal agent activities and prior year adjusting entries have been properly accounted for.

Corrective Action Plan

District management will record all adjusting entries noted above and ensure the cash with fiscal agent activities are recorded in the unaudited actuals prior to closing the books.

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

2012-02 DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At Sisk Elementary School, there are no procedures in place for dual counting of cash received.

Effect

ASB funds could be potentially be misappropriated.

Cause

Adequate internal control procedures surrounding ASB accounts have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

Dual cash counts of cash received should be documented.

Corrective Action Plan

The District agrees with the above recommendation and will implement the documentation of dual cash counts when cash is received.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SALIDA UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		