

SALIDA UNION SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SALIDA UNION SCHOOL DISTRICT

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FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Salida Union School District
Salida, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Union School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 56, schedule of the district's proportionate share of net pension liability on page 57, and the schedule of district contributions on page 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the Salida Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Salida Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salida Union School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

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Salida Union School District

District Superintendent
Twila Tosh

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2017

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, 2017. This is the District management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

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

Enrollment in the 2016-2017 fiscal year totaled 2,491. There are currently five K-8 schools within the District consisting of three elementary schools, one middle school and one charter school. Students graduating from the Salida Union School District attend high school in the Modesto High School District.

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

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

SALIDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: A second view in the analysis of the District is to look at the change in net position as shown on Table 1. Net position represents the portion of total assets actually owned free and clear by the District. The District's total net position for the year ending June 30, 2017, was \$10.8 million.

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

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

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

Table 1 - Statement of Net Position

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Assets			
Current and other assets	\$ 12.6	\$ 10.6	\$ 2.0
Capital assets	31.8	31.5	0.3
Total Assets	<u>44.4</u>	<u>42.1</u>	<u>2.3</u>
Deferred Outflows of Resources	<u>5.4</u>	<u>4.7</u>	<u>0.7</u>
Liabilities			
Current liabilities	0.9	1.0	(0.1)
Long-term obligations other than pensions	11.6	11.3	0.3
Net pension liability	25.8	20.8	5.0
Total Liabilities	<u>38.3</u>	<u>33.1</u>	<u>5.2</u>
Deferred Inflows of Resources	<u>0.7</u>	<u>4.2</u>	<u>(3.5)</u>
Net Position			
Net investment in capital assets	20.3	20.3	-
Restricted	1.5	1.4	0.1
Unrestricted	(11.0)	(12.2)	1.2
Total Net Position	<u><u>\$ 10.8</u></u>	<u><u>\$ 9.5</u></u>	<u><u>1.3</u></u>

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

JUNE 30, 2017

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

Table 2 - Statement of Net Activities

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Revenues			
General Revenues:			
Federal and State Aid Not Restricted	\$ 19.8	\$ 20.1	\$ (0.3)
Property Taxes	4.7	4.3	0.4
Other	1.5	1.3	0.2
Program Revenues:			
Charges for Services	0.3	0.3	-
Categorical Revenues	6.9	6.9	-
Total Revenues	<u>33.2</u>	<u>32.9</u>	<u>\$ 0.3</u>
Expenses			
Instruction Related	20.5	19.4	1.1
Pupil Services	3.7	3.6	0.1
General Administration	2.0	1.9	0.1
Plant Services	1.8	3.2	(1.4)
Community Services	2.8	2.3	0.5
Other	1.1	1.1	-
Total Expenses	<u>31.9</u>	<u>31.5</u>	<u>0.4</u>
Change in Net Position	<u>\$ 1.3</u>	<u>\$ 1.4</u>	<u>\$ (0.1)</u>

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

JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance: The first view in the analysis of the District as a whole is fund balance and the changes that occurred during the fiscal year. The combined total of all fund balances decreased during 2016-2017 as in Table 3 of Ending Fund Balances below.

Table 3 - Ending Fund Balances

(Amounts in millions)

Fund	June 30, 2017	June 30, 2016
General	\$ 6.9	\$ 6.4
Charter	0.1	- ¹
Child Development	0.2	-
Cafeteria	0.6	0.2
Deferred Maintenance	- ¹	0.1
Building	- ¹	-
Capital Facilities	0.2	0.2
County School Facilities	- ¹	- ¹
Special Reserve Capital Projects	3.6	2.6
Bond Interest and Redemption	0.1	0.1
Total Fund Balances	<u>\$ 11.7</u>	<u>\$ 9.6</u>

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

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

The General Fund balance increased \$0.5 million including making \$1.5 million in contributions for the required QZAB payment and solar project costs outside of the scope of the energy loan.

The Charter School's revenue has decreased this year as enrollment has experienced a decline primarily due to the District re-opening Mildred Perkins, however; the ending fund balance increased \$40 thousand during the year.

The Child Development fund is a self-supporting program and the fund balance increased \$0.1 million.

The Cafeteria Fund continues operating outside catering services which attribute to positive fund balance and the fund experienced a \$0.4 million increase during the year.

The District's capital funds are: Building, Capital Facilities, County Schools Facilities, and Special Reserve for Capital Projects. The combined balances of these funds have increased by approximately \$1.0 million mainly due to the transfers in from the General Fund of \$1.5 million and proceeds of \$0.8 million from an energy loan.

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

JUNE 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

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

As a school district the main priority is education of its students. The primary functions of the District are Instruction, Instruction Related Activities, Pupil Services, and Plant Services. As noted in Figure 2 below, 70 percent of the District's expenditures are for instruction and expenditures related to instruction. It is also important to note that General Administration only accounts for 7 percent of the total expenditures. You will also note, in Figure 3, that employee salaries and benefits consume 73 percent of total expenditures. The tables below reflect only the General Fund activity. *The totals below exclude the STRS on behalf contribution.*

Figure 1

Revenue	%	Value
LCFF Revenue	81%	\$21,542,340
Federal	4%	1,014,308
State	7%	1,773,264
Local/Other	8%	2,126,290
TOTAL	100%	\$26,456,202

Figure 2

Expenditures by Function	%	Value
Instruction	63%	\$15,485,734
Instruction Related	7%	1,736,168
Pupil Services	6%	1,455,436
General Admin	7%	1,641,955
Plant Services	11%	2,760,838
Community Services	3%	641,849
All Other	3%	649,727
TOTAL	100%	\$24,371,706

Figure 3

Expenditures by Object	%	Value
Certificated Salaries	44%	\$10,783,534
Classified Salaries	15%	3,509,483
Employee Benefits	14%	3,460,017
Books and Supplies	5%	1,083,090
Services	18%	4,450,422
Capital Outlay/Other	4%	1,085,160
TOTAL	100%	\$24,371,706

The District originally budgeted for a \$1.1 million deficit in the General Fund. Revenues and other sources ended the year \$1.9 million above what was originally budgeted and expenditures and other outgo ended \$254 thousand less than was budgeted.

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

JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: At June 30, 2017, the District had \$31.8 million in a broad range of capital assets, including land, buildings, furniture and equipment, which is a net increase of \$0.3 million over the prior year.

Table 4 - Capital Assets

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Land	\$ 7.6	\$ 7.6	\$ -
Land Improvements	0.2	0.2	-
Buildings and Improvements	23.7	23.1	0.6
Equipment	0.3	0.4	(0.1)
Construction in Progress	-	0.2	(0.2)
Total	\$ 31.8	\$ 31.5	\$ 0.3

Depreciation of \$2.1 million was recognized during the year.

Long-Term Obligations: At year-end, the District had \$11.6 million in long-term obligations outstanding versus \$11.3 in the prior fiscal year. This is an increase of \$0.3 million. Below is a list of these obligations.

Table 5 - Long-Term Obligations

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
General Obligation Bonds	\$ 0.4	\$ 0.5	\$ (0.1)
Certificates of Participation	5.0	5.3	(0.3)
Qualified Zone Academy Bond	4.0	4.2	(0.2)
Compensated Absences	0.1	0.1	-
Energy loan	2.1	1.2	0.9
Total	\$ 11.6	\$ 11.3	\$ 0.3

Net Pension Liability (NPL): As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of \$5.4 million, Deferred Inflows from pension activities of \$0.7 million, and a Net Pension Liability of \$25.8 million.

SALIDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

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

- **Challenges:** At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:
 - Decline in the district enrollment. Declining enrollment has been a prevailing factor since 2007. While we are hopeful that our enrollment will stabilize in the future due to planned development of housing, we will continue to project our revenues based on our experiences with declines.
 - Rising pension costs of both CalSTRS and CalPERS are a great concern to the District as these costs will be increasing at a rapid rate in future years. Budget adjustments have been made accordingly to project future cost implications for the rising rates of these programs.
 - The increases to the cost of services and enrollment for our Special Education students and its considerable amount of encroachment these services require of the General Fund. All efforts are made to minimize these increases in costs; however, they continue to climb.
- **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 Jaime Towe, Salida Union School District, 4801 Sisk Road, Salida, CA 95368 or (209) 545-0339.

SALIDA UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 10,566,422
Receivables	2,087,042
Prepaid expenses	5,422
Nondepreciable capital assets	7,578,569
Capital assets being depreciated	63,990,817
Accumulated depreciation	(39,776,006)
Total Assets	<u>44,452,266</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>5,406,181</u>
LIABILITIES	
Accounts payable	948,221
Long-term obligations:	
Current portion of long-term obligations	597,723
Noncurrent portion of long-term obligations	10,992,070
Total Long-Term Obligations	<u>11,589,793</u>
Aggregate net pension liability	25,855,392
Total Liabilities	<u>38,393,406</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>699,787</u>
NET POSITION	
Net investment in capital assets	20,259,561
Restricted for:	
Debt service	114,435
Capital projects	241,369
Educational programs	538,594
Other activities	593,370
Unrestricted	(10,982,075)
Total Net Position	<u>\$ 10,765,254</u>

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

SALIDA UNION SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 18,387,446	\$ 120,901	\$ 1,592,281	\$ 337
Instruction-related activities:				
Supervision of instruction	501,427	5,271	175,117	-
Instructional library, media, and technology	154,754	-	24,916	-
School site administration	1,441,169	-	45,977	-
Pupil services:				
Home-to-school transportation	491,929	-	-	-
Food services	1,982,149	125,037	2,104,095	-
All other pupil services	1,256,367	13,245	163,139	-
Administration:				
Data processing	411,733	-	35,025	-
All other administration	1,570,960	6,331	224,870	-
Plant services	1,792,777	3,674	69,867	-
Community services	2,764,974	-	2,309,325	-
Interest on long-term obligations	502,008	-	-	-
Other outgo	649,727	18,591	124,307	-
Total Governmental Activities	\$ 31,907,420	\$ 293,050	\$ 6,868,919	\$ 337
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
Subtotal, General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
\$ (16,673,927)
(321,039)
(129,838)
(1,395,192)
(491,929)
246,983
(1,079,983)
(376,708)
(1,339,759)
(1,719,236)
(455,649)
(502,008)
(506,829)
<u>(24,745,114)</u>
4,285,655
117,084
303,113
19,846,378
83,742
1,406,190
<u>26,042,162</u>
1,297,048
9,468,206
<u>\$ 10,765,254</u>

SALIDA UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Non-Major Governmental Funds</u>
ASSETS			
Deposits and investments	\$ 8,166,165	\$ 1,248,724	\$ 1,151,533
Receivables	707,639	880,076	499,327
Due from other funds	335,847	1,500,000	-
Prepaid expenditures	4,089	1,333	-
Total Assets	<u>\$ 9,213,740</u>	<u>\$ 3,630,133</u>	<u>\$ 1,650,860</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 783,375	\$ 7,077	\$ 157,769
Due to other funds	1,500,000	-	335,847
Total Liabilities	<u>2,283,375</u>	<u>7,077</u>	<u>493,616</u>
Fund Balances:			
Nonspendable	14,089	1,333	-
Restricted	369,061	-	1,118,707
Committed	-	-	1,028
Assigned	1,602,286	3,621,723	37,509
Unassigned	4,944,929	-	-
Total Fund Balances	<u>6,930,365</u>	<u>3,623,056</u>	<u>1,157,244</u>
Total Liabilities and Fund Balances	<u>\$ 9,213,740</u>	<u>\$ 3,630,133</u>	<u>\$ 1,650,860</u>

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

**Total
Governmental
Funds**

\$ 10,566,422
2,087,042
1,835,847
5,422
\$ 14,494,733

\$ 948,221
1,835,847
2,784,068

15,422
1,487,768
1,028
5,261,518
4,944,929
11,710,665

\$ 14,494,733

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SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds **\$ 11,710,665**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 71,569,386	
Accumulated depreciation is	<u>(39,776,006)</u>	
Net Capital Assets		31,793,380

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	2,078,959
--	-----------

The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	291,289
--	---------

The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	2,665,622
---	-----------

The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(87,225)
--	----------

The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(242,251)
---	-----------

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(25,855,392)
--	--------------

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

General obligation bonds	410,000	
Certificates of participation	5,035,000	
Energy loan	2,054,469	
Compensated absences	55,324	
Qualified Zone Academy Bonds	<u>4,035,000</u>	
Total Long-Term Obligations		<u>(11,589,793)</u>

Total Net Position - Governmental Activities	<u><u>\$ 10,765,254</u></u>
---	------------------------------------

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

SALIDA UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Non-Major Governmental Funds</u>
REVENUES			
Local Control Funding Formula	\$ 21,542,340	\$ -	\$ 724,721
Federal sources	1,071,749	-	3,242,248
Other State sources	2,665,168	-	556,500
Other local sources	2,105,927	476,629	765,607
Total Revenues	<u>27,385,184</u>	<u>476,629</u>	<u>5,289,076</u>
EXPENDITURES			
Current			
Instruction	16,048,030	-	581,169
Instruction-related activities:			
Supervision of instruction	456,862	-	28,077
Instructional library, media and technology	145,802	-	3,917
School site administration	1,209,480	-	41,449
Pupil services:			
Home-to-school transportation	357,267	-	-
Food services	36,853	-	1,850,384
All other pupil services	1,157,348	-	63,935
Administration:			
Data processing	402,592	-	555
All other administration	1,290,505	-	149,967
Plant services	2,245,199	92,182	155,255
Facility acquisition and construction	565,748	869,238	-
Community services	731,765	-	1,786,617
Other outgo	649,727	-	-
Debt service			
Principal	-	385,000	90,000
Interest and other	-	476,983	25,025
Total Expenditures	<u>25,297,178</u>	<u>1,823,403</u>	<u>4,776,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,088,006</u>	<u>(1,346,774)</u>	<u>512,726</u>
Other Financing Sources (Uses)			
Transfers in	16,329	1,500,000	40,650
Other sources	-	834,125	-
Transfers out	(1,540,650)	-	(16,329)
Net Financing Sources (Uses)	<u>(1,524,321)</u>	<u>2,334,125</u>	<u>24,321</u>
NET CHANGE IN FUND BALANCES	563,685	987,351	537,047
Fund Balance - Beginning	6,366,680	2,635,705	620,197
Fund Balance - Ending	<u>\$ 6,930,365</u>	<u>\$ 3,623,056</u>	<u>\$ 1,157,244</u>

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

**Total
Governmental
Funds**

\$	22,267,061
	4,313,997
	3,221,668
	3,348,163
	<u>33,150,889</u>
	16,629,199
	484,939
	149,719
	1,250,929
	357,267
	1,887,237
	1,221,283
	403,147
	1,440,472
	2,492,636
	1,434,986
	2,518,382
	649,727
	475,000
	502,008
	<u>31,896,931</u>
	1,253,958
	1,556,979
	834,125
	(1,556,979)
	<u>834,125</u>
	2,088,083
	9,622,582
\$	<u><u>11,710,665</u></u>

SALIDA UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 2,088,083**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.

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

Capital outlay	\$ 2,386,956	
Depreciation expense	<u>(2,069,418)</u>	
Net Expense Adjustment		317,538

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(266)
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In the Statement of Activities, certain operating expenses - compensated absences (vacations) and early retirement incentives are reported as expenses in the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$1,334 and early retirement obligation payments were made totaling \$30,000.	31,334
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(780,516)
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Proceeds received from Energy Loan is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	(834,125)
---	-----------

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	90,000
Certificates of participation	220,000
Qualified zone academy bond	<u>165,000</u>

Change in Net Position of Governmental Activities	<u>\$ 1,297,048</u>
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The accompanying notes are an integral part of these financial statements.

SALIDA UNION SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 123,149
LIABILITIES	
Due to student groups	\$ 123,149

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to educate students within the District's boundaries as a chartered agency.

The Independence Charter School's financial activity is presented in the financial statements within the Charter School Fund. Individually-prepared financial statements are not prepared for the Independence Charter School.

Basis of Presentation - Fund Accounting

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

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets and fund balance of \$341,243 each, and an increase in revenues of \$3,511.

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

Non-Major Governmental Funds

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

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

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Capital Assets and Depreciation

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

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

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

While GASB Code Section 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization agreement, GASB Code Section 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements if they have been adopted by the Board of Trustees. At June 30, 2017, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has no related debt outstanding as of June 30, 2017. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$1,487,768 of restricted net position.

Interfund Activity

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

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

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Property Tax

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

Change in Accounting Principles

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

New Accounting Pronouncements

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

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

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 10,566,422
Fiduciary funds	123,149
Total Deposits and Investments	<u>\$ 10,689,571</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 324,403
Cash in revolving	10,000
Investments	10,355,168
Total Deposits and Investments	<u>\$ 10,689,571</u>

Policies and Practices

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

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Authorizations

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

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

Interest Rate Risk

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More Than 60 Months</u>
County Pool	\$ 10,294,324	\$ -	\$ 10,294,324	\$ -	\$ -
U.S. Treasury Obligations	29,040	29,040	-	-	-
Total	<u>\$ 10,323,364</u>	<u>\$ 29,040</u>	<u>\$ 10,294,324</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Stanislaus County Treasury Investment Pool and U.S. Treasury Obligations are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, state apportionments, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 175,667	\$ -	\$ 395,143	\$ 570,810
State Government				
State grants and entitlements	436,249	-	32,418	468,667
State principal apportionment	-	-	11,092	11,092
Local Sources	95,723	880,076	60,674	1,036,473
Total	<u>\$ 707,639</u>	<u>\$ 880,076</u>	<u>\$ 499,327</u>	<u>\$ 2,087,042</u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 7,578,569	\$ -	\$ -	\$ 7,578,569
Construction in progress	253,547	-	253,547	-
Total Capital Assets Not Being Depreciated	7,832,116	-	253,547	7,578,569
Capital Assets being depreciated				
Land improvements	259,296	-	-	259,296
Buildings and improvements	58,290,893	2,619,800	-	60,910,693
Furniture and equipment	2,808,983	20,703	8,858	2,820,828
Total Capital Assets Being Depreciated	61,359,172	2,640,503	8,858	63,990,817
Less Accumulated Depreciation				
Land improvements	90,446	17,286	-	107,732
Buildings and improvements	35,236,240	1,982,821	8,592	37,210,469
Furniture and equipment	2,388,494	69,311	-	2,457,805
Total Accumulated Depreciation	37,715,180	2,069,418	8,592	39,776,006
Governmental Activities Capital Assets, Net	<u>\$ 31,476,108</u>	<u>\$ 571,085</u>	<u>\$ 253,813</u>	<u>\$ 31,793,380</u>

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

Governmental Activities	
Instructional	\$ 1,283,040
School administration	144,859
Home-to-school transportation	124,165
Food services	62,083
Community services	165,553
All other general administration	103,471
Plant services	186,247
Total Depreciation Expenses, Governmental Activities	<u>\$ 2,069,418</u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 335,847	\$ 1,500,000
Special Reserve Capital Outlay	1,500,000	-
Total Major Governmental Funds	<u>1,835,847</u>	<u>1,500,000</u>
Non-Major Governmental Funds		
Charter School	-	236,783
Cafeteria	-	99,064
Total Non-Major Governmental Funds	<u>-</u>	<u>335,847</u>
Total All Governmental Funds	<u>\$ 1,835,847</u>	<u>\$ 1,835,847</u>

The General Fund owes the Special Reserve Capital Outlay Fund for debt reserves.	\$ 500,000
The General Fund owes the Special Reserve Capital Outlay Fund for capital project costs in excess of the energy loan.	1,000,000
The Charter School Non-Major Governmental Fund owes the General Fund for costs in accordance with the Master Agreement with the District.	236,783
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	99,064
Total	<u>\$ 1,835,847</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2017, consisted of the following:

The Charter Non-Major Governmental Fund transferred to the General Fund for pay back revenues related to a previous year's audit finding relating to disallowed apportionment attendance.	\$ 16,329
The General Fund transferred to the Special Reserve Capital Outlay Fund for capital projects costs in excess of the energy loan.	1,000,000
The General Fund transferred to the Special Reserve Capital Outlay Fund for debt reserves.	500,000
The General Fund transferred to the Child Development Non-Major Governmental Fund a temporary cash flow loan.	40,000
The General Fund transferred to the Building Non-Major Governmental Fund a temporary cash flow loan.	650
Total Interfund Transfers	<u><u>\$ 1,556,979</u></u>

NOTE 7 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2017, consist of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total
Technology contracts	\$ 4,089	\$ -	\$ 4,089
Other expenditures	-	1,333	1,333
Total	<u><u>\$ 4,089</u></u>	<u><u>\$ 1,333</u></u>	<u><u>\$ 5,422</u></u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 70,628	\$ 7,077	\$ 40,153	\$ 117,858
Salaries and benefits	596,518	-	117,616	714,134
State principal apportionment	116,229	-	-	116,229
Total	<u>\$ 783,375</u>	<u>\$ 7,077</u>	<u>\$ 157,769</u>	<u>\$ 948,221</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General Obligation Bonds	\$ 500,000	\$ -	\$ 90,000	\$ 410,000	\$ 95,000
Certificates of Participation	5,255,000	-	220,000	5,035,000	230,000
Energy Loan	1,220,344	834,125	-	2,054,469	102,723
Early Retirement Incentive Plan	30,000	-	30,000	-	-
Compensated absences	56,658	-	1,334	55,324	-
Qualified Zone Academy Bond	4,200,000	-	165,000	4,035,000	170,000
Total	<u>\$ 11,262,002</u>	<u>\$ 834,125</u>	<u>\$ 506,334</u>	<u>\$ 11,589,793</u>	<u>\$ 597,723</u>

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate %	Original Issue	Bonds		Bonds
				Outstanding July 1, 2016	Redeemed	Outstanding June 30, 2017
1988	2021	5.5-5.6	\$ 1,500,000	<u>\$ 500,000</u>	<u>\$ 90,000</u>	<u>\$ 410,000</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Debt Service Requirements to Maturity

The bonds mature through 2021 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 95,000	\$ 19,938	\$ 114,938
2019	100,000	14,575	114,575
2020	105,000	8,938	113,938
2021	110,000	3,025	113,025
Total	<u>\$ 410,000</u>	<u>\$ 46,476</u>	<u>\$ 456,476</u>

Certificates of Participation

2003B Certificates of Participation Issuance

In March 2003, the District issued certificates of participation in the amount of \$1,880,000 with interest rates ranging from 4.1 to 4.85 percent. As of June 30, 2017, the principal balance outstanding was \$845,000.

The certificates mature through 2023 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 120,000	\$ 51,123	\$ 171,123
2019	130,000	43,863	173,863
2020	135,000	35,998	170,998
2021	145,000	27,830	172,830
2022	155,000	19,058	174,058
2023	160,000	9,680	169,680
Total	<u>\$ 845,000</u>	<u>\$ 187,552</u>	<u>\$ 1,032,552</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2010 Refunding Certificates of Participation Issuance

In April 2010, the District issued certificates of participation in the amount of \$4,395,000 with interest rates ranging from 3.25 to 4.6 percent to refund the District's 2001 and 2003A Certificates of Participation. As of June 30, 2017, the principal balance outstanding was \$4,190,000.

The certificates mature through 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 110,000	\$ 201,595	\$ 311,595
2019	110,000	197,525	307,525
2020	115,000	193,125	308,125
2021	120,000	188,525	308,525
2022	125,000	183,605	308,605
2023-2027	710,000	830,810	1,540,810
2028-2032	905,000	639,000	1,544,000
2033-2037	1,155,000	388,750	1,543,750
2038-2040	840,000	85,500	925,500
Total	\$ 4,190,000	\$ 2,908,435	\$ 7,098,435

California Energy Commission Loan

In June of 2015, the District entered into an agreement with the California Energy Commission (CEC) to obtain financing on energy conservation projects. The total approved funding amount and projection of total project costs is \$2,054,469 to be paid to the District as project costs are submitted to the CEC for reimbursement. The loan is interest free and is to be paid back semiannually over a 20-year term commencing December 22, 2017. The payment schedule is reflected based on a 20-year payment period for the amount received by the District.

The remaining payments are as follows:

Fiscal Year	Principal
2018	\$ 102,723
2019	102,723
2020	102,723
2021	102,723
2022	102,723
2023-2027	513,615
2028-2032	513,615
2033-2037	513,624
Total	\$ 2,054,469

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2017, amounted to \$55,324.

Qualified Zone Academy Bonds

2001 Qualified Zone Academy Bonds

On May 9, 2001, the District issued \$2,000,000 in Qualified Zone Academy Bonds. The Bonds were issued to finance the installation of technology infrastructure and related service upgrades and to facilitate the modernization and equipping of the K-8 Magnet School Academy located at Salida Elementary School. Interest is not payable with the bonds. In lieu of receiving periodic interest payments, eligible holders of the Bonds are allowed an annual federal income tax credit equal to the credit rate times the face amount of the bond. The tax credit rate for the Bonds is 7.08 percent. The District initially deposited \$870,596 in a trustee account that has been invested in an AIG Guaranteed Investment Contract paying 6.1209 percent. The interest earnings of the deposit have been sufficient to cover the entire maturing principal balance at May 23, 2015.

2012 Qualified Zone Academy Bonds

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 170,000	\$ 206,200	\$ 376,200
2019	175,000	198,550	373,550
2020	150,000	190,675	340,675
2021	155,000	183,925	338,925
2022	165,000	176,950	341,950
2023-2027	915,000	763,150	1,678,150
2028-2032	1,130,000	493,900	1,623,900
2033-2036	1,175,000	154,000	1,329,000
Total	<u>\$ 4,035,000</u>	<u>\$ 2,367,350</u>	<u>\$ 6,402,350</u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Prepaid expenditures	4,089	1,333	-	5,422
Total Nonspendable	14,089	1,333	-	15,422
Restricted				
Legally restricted programs	369,061	-	762,903	1,131,964
Capital projects	-	-	241,369	241,369
Debt service	-	-	114,435	114,435
Total Restricted	369,061	-	1,118,707	1,487,768
Committed				
Deferred maintenance projects	-	-	1,028	1,028
Assigned				
Parent fees	61,043	-	-	61,043
Curriculum adoption	300,000	-	-	300,000
Technology upgrades	300,000	-	-	300,000
Capital projects	-	3,621,723	-	3,621,723
Maintenance projects	500,000	-	-	500,000
Bus replacement	100,000	-	-	100,000
Special projects	341,243	-	-	341,243
Other assignments	-	-	37,509	37,509
Total Assigned	1,602,286	3,621,723	37,509	5,261,518
Unassigned				
Reserve for economic uncertainties	2,437,171	-	-	2,437,171
Remaining unassigned	2,507,758	-	-	2,507,758
Total Unassigned	4,944,929	-	-	4,944,929
Total	\$ 6,930,365	\$ 3,623,056	\$ 1,157,244	\$ 11,710,665

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Central Region Schools' Insurance Group (CRSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017, the District participated in the CRSIG, an insurance purchasing pool. The intent of CRSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in CRSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of CRSIG. Participation in CRSIG is limited to districts that can meet CRSIG selection criteria.

Employee Medical Benefits

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 17,792,180	\$ 3,043,307	\$ 457,536	\$ 1,772,807
CalPERS	8,063,212	2,362,874	242,251	1,086,668
Total	\$ 25,855,392	\$ 5,406,181	\$ 699,787	\$ 2,859,475

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$1,406,535.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 17,792,180
State's proportionate share of the net pension liability associated with the District	10,128,770
Total	<u>\$ 27,920,950</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, was 0.220 percent resulting in no change from the prior year.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$1,772,807. In addition, the District recognized pension expense and revenue of \$979,052 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,406,535	\$ -
Net change in proportionate share of net pension liability	222,302	23,516
Difference between projected and actual earnings on pension plan investments	1,414,470	-
Differences between expected and actual experience in the measurement of the total pension liability	-	434,020
Total	<u>\$ 3,043,307</u>	<u>\$ 457,536</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 30,860
2019	30,860
2020	822,236
2021	530,514
Total	<u>\$ 1,414,470</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (38,670)
2019	(38,670)
2020	(38,670)
2021	(38,670)
2022	(38,669)
Thereafter	(41,885)
Total	<u>\$ (235,234)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 25,606,959
Current discount rate (7.60%)	\$ 17,792,180
1% increase (8.60%)	\$ 11,301,678

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$672,424.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,063,212. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0408 percent and 0.0407 percent, resulting in a net increase in the proportionate share of 0.0001 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,086,668. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 672,424	\$ -
Net change in proportionate share of net pension liability	92,503	-
Difference between projected and actual earnings on pension plan investments	1,251,152	-
Differences between expected and actual experience in the measurement of the total pension liability	346,795	-
Changes of assumptions	-	242,251
Total	<u>\$ 2,362,874</u>	<u>\$ 242,251</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 175,491
2019	175,491
2020	573,632
2021	326,538
Total	<u>\$ 1,251,152</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 79,264
2019	75,982
2020	41,801
Total	<u>\$ 197,047</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 12,030,357
Current discount rate (7.65%)	\$ 8,063,212
1% increase (8.65%)	\$ 4,759,783

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$925,473 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

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

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Central Region Schools' Insurance Group (CRSIG) and the Self Insured Schools of California (SISC) joint powers authorities (JPA). The District pays annual premiums these entities for its health, workers' compensation, and property liability coverage. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

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

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

During the year ended June 30, 2017, the District made payment of \$504,357 to CRSIG for workers' compensation and property and liability insurance.

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

During the year ended June 30, 2017, the District made payment of \$970,990 to SISC for health coverage.

REQUIRED SUPPLEMENTARY INFORMATION

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SALIDA UNION SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 20,782,493	\$ 21,416,657	\$ 21,542,340	\$ 125,683
Federal sources	932,791	924,104	1,071,749	147,645
Other State sources	1,666,412	1,993,549	1,739,695	(253,854)
Other local sources	1,625,023	1,625,272	2,105,927	480,655
Total Revenues ¹	25,006,719	25,959,582	26,459,711	500,129
EXPENDITURES				
Current				
Certificated salaries	11,003,083	11,357,020	10,783,534	573,486
Classified salaries	3,811,830	3,959,225	3,509,483	449,742
Employee benefits	3,846,881	3,899,654	3,460,017	439,637
Books and supplies	1,904,727	1,599,896	1,083,090	516,806
Services and operating expenditures	4,772,337	5,029,056	4,450,421	578,635
Capital outlay	106,131	417,977	582,704	(164,727)
Other outgo	328,961	318,608	502,456	(183,848)
Total Expenditures ¹	25,773,950	26,581,436	24,371,705	2,209,731
Excess (Deficiency) of Revenues Over Expenditures	(767,231)	(621,854)	2,088,006	2,709,860
Other Financing Sources (Uses)				
Transfers in	16,329	16,329	16,329	-
Transfers out	(392,326)	(25,404)	(1,540,650)	(1,515,246)
Net Financing Sources (Uses)	(375,997)	(9,075)	(1,524,321)	(1,515,246)
NET CHANGE IN FUND BALANCES	(1,143,228)	(630,929)	563,685	1,194,614
Fund Balance - Beginning	6,366,680	6,366,680	6,366,680	-
Fund Balance - Ending	\$ 5,223,452	\$ 5,735,751	\$ 6,930,365	\$ 1,194,614

¹ On behalf payments are not included in the budgeted or actual revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.0220%</u>	<u>0.0220%</u>
District's proportionate share of the net pension liability (asset)	\$ 17,792,180	\$ 14,834,896
State's proportionate share of the net pension liability (asset) associated with the District	<u>10,128,770</u>	<u>7,846,025</u>
Total	<u>\$ 27,920,950</u>	<u>\$ 22,680,921</u>
District's covered - employee payroll	<u>\$ 11,045,452</u>	<u>\$ 11,159,054</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>161.08%</u>	<u>132.94%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.4080%</u>	<u>0.0407%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 8,063,212</u>	<u>\$ 6,000,692</u>
District's covered - employee payroll	<u>\$ 4,917,507</u>	<u>\$ 4,539,886</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>163.97%</u>	<u>132.18%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

2015

0.0216%

\$ 12,626,912

7,624,675

\$ 20,251,587

\$ 9,636,448

131.03%

77%

0.0396%

\$ 4,500,475

\$ 4,146,548

108.54%

83%

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
CalSTRS		
Contractually required contribution	\$ 1,406,535	\$ 1,185,177
Contributions in relation to the contractually required contribution	<u>1,406,535</u>	<u>1,185,177</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 11,180,723</u>	<u>\$ 11,045,452</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>
CalPERS		
Contractually required contribution	\$ 672,424	\$ 582,577
Contributions in relation to the contractually required contribution	<u>672,424</u>	<u>582,577</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 4,841,763</u>	<u>\$ 4,917,507</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>

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

See accompanying note to required supplementary information.

2015

\$ 990,924
990,924

\$ -

\$ 11,159,054

8.88%

\$ 534,390
534,390

\$ -

\$ 4,539,886

11.771%

SALIDA UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Special Education, Basic Local Assistance	84.027	13379	\$ 424,517
Title I - Part A, Basic	84.010	14329	441,407
Title II - Supporting Effective Instruction	84.367	14341	67,811
Title III - English Language Acquisition - LEP	84.365	14346	78,066
Title III - English Language Acquisition - IEP	84.365	15146	2,507
Total U.S. Department of Education			<u>1,014,308</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child and Adult Care Food Program	10.558	13393	270,858
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,039,770
Especially Needy Breakfast	10.553	13526	248,123
Basic Breakfast	10.553	13525	67,520
Seamless Summer	10.559	13004	45,312
Food Distribution - Commodities	10.555	13391	174,157
Subtotal, Child Nutrition Cluster			<u>1,574,882</u>
Total U.S. Department of Agriculture			<u>1,845,740</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	33,569
Medi-Cal Administrative Activities	93.778	10060	23,872
Head Start	93.600	10016	955,984
Early Head Start	93.600	15291	614,673
Total U.S. Department of Health and Human Services			<u>1,628,098</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,488,146</u></u>

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dr. Gary Dew	President	2020
Dennis Thompson	Clerk	2020
Virginia L Berry	Trustee	2018
Nanci E. Fox	Trustee	2018
Ivan Wyeth, II	Trustee	2018

ADMINISTRATION

Twila Tosh	Superintendent
Jaime Towe	Chief Business Officer

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
SALIDA UNION SCHOOL DISTRICT				
Regular ADA				
Transitional kindergarten through third	982.42	981.46	982.42	981.46
Fourth through sixth	764.90	766.69	764.90	766.69
Seventh and eighth	571.06	570.29	570.84	570.11
Total ADA	<u>2,318.38</u>	<u>2,318.44</u>	<u>2,318.16</u>	<u>2,318.26</u>
	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
INDEPENDENCE CHARTER SCHOOL				
Non-Classroom Based				
Regular ADA				
Transitional kindergarten through third	1.57	1.28	1.12	
Fourth through sixth	0.61	0.68	0.57	
Seventh and eighth	1.35	1.40	1.22	
Total Non-Classroom Based ADA	<u>3.53</u>	<u>3.36</u>	<u>2.91</u>	
Classroom based ADA				
Regular ADA				
Transitional kindergarten through third	55.88	55.25	56.15	
Fourth through sixth	10.61	10.44	10.73	
Total Classroom Based ADA	<u>66.49</u>	<u>65.69</u>	<u>66.88</u>	
Total Charter School ADA	<u>70.02</u>	<u>69.05</u>	<u>69.79</u>	

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Salida Union School District

Grade Level	1986-1987	2016-2017	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,860	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,160	180	N/A	Complied
Grade 2		53,160	180	N/A	Complied
Grade 3		53,160	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		57,240	180	N/A	Complied
Grade 5		57,240	180	N/A	Complied
Grade 6		59,295	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,295	180	N/A	Complied
Grade 8		59,295	180	N/A	Complied

Independence Charter School - Classroom Based

Grade Level	1986-1987	2016-2017	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	54,240	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,540	180	N/A	Complied
Grade 2		51,540	180	N/A	Complied
Grade 3		51,540	180	N/A	Complied
Grades 4 - 5	54,000				
Grade 4		55,710	180	N/A	Complied
Grade 5		55,710	180	N/A	Complied

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget) 2018 ^{1,4}	2017 ⁴	2016 ⁴	2015 ⁴
GENERAL FUND				
Revenues	\$ 25,658,311	\$ 26,456,200	\$ 26,102,363	\$ 23,119,996
Other sources and transfers in	5,390	16,329	16,329	-
Total Revenues				
and Other Sources ³	25,663,701	26,472,529	26,118,692	23,119,996
Expenditures	27,283,600	24,371,705	22,897,157	21,634,442
Other uses and transfers out	44,616	1,540,650	1,561,000	1,000,469
Total Expenditures				
and Other Uses ³	27,328,216	25,912,355	24,458,157	22,634,911
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,664,515)	\$ 560,174	\$ 1,660,535	\$ 485,085
ENDING FUND BALANCE	\$ 4,924,607	\$ 6,589,122	\$ 6,028,948	\$ 4,368,413
AVAILABLE RESERVES²	\$ 3,284,503	\$ 4,944,929	\$ 4,452,072	\$ 2,917,244
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	12.02%	19.08%	18.20%	12.89%
LONG-TERM OBLIGATIONS	Not Available	\$ 11,589,793	\$ 11,262,002	\$ 10,439,540
AVERAGE DAILY ATTENDANCE AT P-2 (excludes Charter School ADA)	2,295	2,318	2,244	2,369

The General Fund balance has increased by \$2,220,709 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$1,664,515 (25.26 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$1,150,253 over the past two years.

Average daily attendance has decreased by 51 over the past two years. Additional decline of 23 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

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

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

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Independence Charter School (Charter No. 1098)	Yes
Great Valley Academy - Salida (Charter No. 1819)	No

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Charter School Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 307,980	\$ 2,986	\$ 483,086
Receivables	26,119	204,712	268,495
Total Assets	\$ 334,099	\$ 207,698	\$ 751,581
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 35,121	\$ 63,501	\$ 59,147
Due to other funds	236,783	-	99,064
Total Liabilities	271,904	63,501	158,211
Fund Balances:			
Restricted	25,336	144,197	593,370
Committed	-	-	-
Assigned	36,859	-	-
Total Fund Balances	62,195	144,197	593,370
Total Liabilities and Fund Balances	\$ 334,099	\$ 207,698	\$ 751,581

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 1,028	\$ 649	\$ 208,597	\$ 32,772	\$ 114,435	\$ 1,151,533
-	1	-	-	-	499,327
<u>\$ 1,028</u>	<u>\$ 650</u>	<u>\$ 208,597</u>	<u>\$ 32,772</u>	<u>\$ 114,435</u>	<u>\$ 1,650,860</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,769
-	-	-	-	-	335,847
-	-	-	-	-	493,616
-	-	208,597	32,772	114,435	1,118,707
1,028	-	-	-	-	1,028
-	650	-	-	-	37,509
<u>1,028</u>	<u>650</u>	<u>208,597</u>	<u>32,772</u>	<u>114,435</u>	<u>1,157,244</u>
<u>\$ 1,028</u>	<u>\$ 650</u>	<u>\$ 208,597</u>	<u>\$ 32,772</u>	<u>\$ 114,435</u>	<u>\$ 1,650,860</u>

SALIDA UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Charter School Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Local Control Funding Formula	\$ 724,721	\$ -	\$ -
Federal sources	-	1,570,658	1,671,582
Other State sources	80,251	363,092	111,963
Other local sources	4,778	(410)	625,562
Total Revenues	809,750	1,933,340	2,409,107
EXPENDITURES			
Current			
Instruction	581,169	-	-
Instruction-related activities:			
Supervision of instruction	28,077	-	-
Instructional library, media, and technology	3,917	-	-
School site administration	41,449	-	-
Pupil services:			
Food services	-	-	1,850,384
All other pupil services	63,935	-	-
Administration:			
Data processing	555	-	-
All other administration	2,696	53,509	93,762
Plant services	31,106	6,012	55,349
Community services	-	1,786,617	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	752,904	1,846,138	1,999,495
Excess (Deficiency) of Revenues Over Expenditures	56,846	87,202	409,612
Other Financing Sources (Uses)			
Transfers in	-	40,000	-
Transfers out	(16,329)	-	-
Net Financing Sources (Uses)	(16,329)	40,000	-
NET CHANGE IN FUND BALANCES	40,517	127,202	409,612
Fund Balance - Beginning	21,678	16,995	183,758
Fund Balance - Ending	\$ 62,195	\$ 144,197	\$ 593,370

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 724,721
-	-	-	-	8	3,242,248
-	-	-	-	1,194	556,500
386	-	18,494	337	116,460	765,607
<u>386</u>	<u>-</u>	<u>18,494</u>	<u>337</u>	<u>117,662</u>	<u>5,289,076</u>
-	-	-	-	-	581,169
-	-	-	-	-	28,077
-	-	-	-	-	3,917
-	-	-	-	-	41,449
-	-	-	-	-	1,850,384
-	-	-	-	-	63,935
-	-	-	-	-	555
-	-	-	-	-	149,967
62,788	-	-	-	-	155,255
-	-	-	-	-	1,786,617
-	-	-	-	90,000	90,000
-	-	-	-	25,025	25,025
<u>62,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,025</u>	<u>4,776,350</u>
<u>(62,402)</u>	<u>-</u>	<u>18,494</u>	<u>337</u>	<u>2,637</u>	<u>512,726</u>
-	650	-	-	-	40,650
-	-	-	-	-	(16,329)
-	<u>650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,321</u>
<u>(62,402)</u>	<u>650</u>	<u>18,494</u>	<u>337</u>	<u>2,637</u>	<u>537,047</u>
63,430	-	190,103	32,435	111,798	620,197
<u>\$ 1,028</u>	<u>\$ 650</u>	<u>\$ 208,597</u>	<u>\$ 32,772</u>	<u>\$ 114,435</u>	<u>\$ 1,157,244</u>

SALIDA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,313,997
Reconciling items:		
Food Distribution - Commodities	10.555	174,157
FHA In Lieu Tax Apportionment	NA	(8)
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,488,146</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

SALIDA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

Districts must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

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INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Salida Union School District
Salida, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salida Union School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Salida Union School District's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Salida Union School District in a separate letter dated December 13, 2017.

Purpose of This Report

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

Vannick, Trinn, Day & Co, LLP

Fresno, California
December 13, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Salida Union School District
Salida, California

Report on Compliance for Each Major Federal Program

We have audited Salida Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gonzales Unified School District's major Federal programs for the year ended June 30, 2017. Salida Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salida Union School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Salida Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Salida Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on the major Federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

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

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

Vannink, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salida Union School District
Salida, California

Report on State Compliance

We have audited Salida Union School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Salida Union School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Salida Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salida Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Salida Union School District's compliance with those requirements.

Basis for Qualified Opinion on Attendance Reporting and Immunizations

As described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003, Salida Union School District did not comply with requirements regarding Attendance Reporting and Immunizations. Compliance with such requirements is necessary, in our opinion, for Salida Union School District to comply with the requirements applicable to these programs.

Qualified Opinion on Attendance Reporting and Immunizations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Salida Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

In our opinion, Salida Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No (see below)
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes

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

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

We did not perform Continuation Education procedures because the program is not offered by the District.

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

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

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

We did not perform the General Requirements procedures for After School Education and Safety Program because the grantee, Stanislaus County Office of Education, administers the program and has its own audit.

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

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

We did not perform testing for Determination of Funding for Non Classroom-Based Instruction because less than 20 percent of the charter school's attendance was non classroom-based.

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

Vannick, Trine, Day & Co, LLP

Fresno, California
December 13, 2017

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SALIDA UNION SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for the major Federal program:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following programs which were qualified:	

<u>Name of Programs</u>
<u>Attendance Reporting</u>
<u>Immunizations</u>

SALIDA UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SALIDA UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

The following finding represents a significant deficiency of noncompliance including questioned costs that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2017-001 50000

Federal Program Affected

Program Name: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.559
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Agriculture

Criteria

Costs/cost principles for any federally funded programs must conform to cost principles defined in Title 2, Code of Federal Regulations, Part 200. Per Title 2 CFR Part 200, Subpart E, Section 200.430(i)(1)(vii), charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a director or indirect cost activity. In addition, CDE Nutrition Services Division Management Bulletin (NSD-SNP-07-2013) salaries of non-food service personnel serving as cafeteria monitors (e.g, noon duty aides) is unallowable as direct or indirect cost.

Condition

During the Single Audit of the Salida Union School District's Child Nutrition Cluster for the fiscal year of 2016-17, we found that the District charged a total of \$113,761.65 in unallowable salaries and benefits for noon duty aides and custodians. The noon duty aides' salaries and benefits charged were determined to be unallowed because the costs of supervising students are the District's financial responsibility. The multi-funded custodian's salaries and benefits charged to be unallowed because detailed time certifications were not prepared supporting the salary charges.

Effect

The District charged unallowable direct costs to the Cafeteria Fund for the fiscal year of 2016-2017; thereby overstating the amount of expenditures of the Child Nutrition Cluster.

SALIDA UNION SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Cause

The condition identified appears to have occurred because the District's Nutrition Services was unaware that noon duty aides' salaries are not an allowable cost or the detailed time certification requirements for multi-funded custodians' salaries to be considered an allowable cost charged to the Child Nutrition Cluster.

Questioned Costs

A total of \$113,761.65 in questioned costs was identified as a result of the condition identified above.

Recommendation

The District must transfer \$113,761.65 from the District's General Fund to the Cafeteria Fund in the current year and submit documentation of the transfer. The District should not charge noon duty aides to National School Lunch program those salaries should be charged to the unrestricted General Fund. Furthermore, the level of time certification detail required for custodians' salaries to be allowable is prohibitive so those salaries should be charged to the General Fund or other approved restricted resources.

Corrective Action Plan

We will transfer the amount of disallowed charged to the Cafeteria Fund totaling \$113,761.65 in the fiscal year 2017-2018 from the General Fund. We have developed a food service janitorial position whose duties will only include cleaning the central kitchen and site kitchens. Additionally, no noon-duty aides will be charged to the Cafeteria Fund for future periods. A position was also created whose duties will only include supervision of the food service period at school sites. These new positions will be charged 100 percent to the Cafeteria Fund and their duties will be strictly for food service purposes. Semi-Annual Time Certifications will also be obtained from the employees holding the new positions.

SALIDA UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

2017-002 10000

INDEPENDENCE CHARTER SCHOOL

Independent Study

Criteria

According to *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2016-2017* prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in Average Daily Attendance (ADA) [*Education Code* Sections 41341(a)(1) and 14503(a)].

Condition

During our audit of the Independence Charter School attendance, one of the six students enrolled did not have a signed contract and another of the student had a contract signed three days after he started school and did not have any work samples to account for attendance.

Questioned Costs

The changes result in a net reduction of 0.23 ADA for the P2; which results in an estimated questioned cost of \$1,662. There is no questioned cost related to the Annual Attendance Report because the District corrected the Annual Attendance Report prior to submitting it to the State.

SALIDA UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Effect

The District needs to revise the P2:

	Original Second Period <u>Report</u>	Per Audit Second Period <u>Report</u>	Net <u>Change</u>
CHARTER INDEPENDENT STUDY SCHOOL			
TK/Kinder through third	57.45	57.27	(0.18)
Fourth through sixth	11.22	11.30	.08
Seventh through eighth	1.35	1.22	<u>(0.13)</u>
Total Net Effect			<u><u>(0.23)</u></u>

Cause

The Charter School did not ensure that all students for which attendance was claimed had completed contracts prior to claiming attendance and that work samples were maintained.

Recommendation

The District needs to revise the Second Period Attendance Report of School District Attendance to reflect the audited ADA for the Independence Charter School. After the corrections have been made, the District should resubmit the P2 attendance reports to all necessary agencies including the Stanislaus County Office of Education and the California Department of Education.

Corrective Action Plan

The Second Period Attendance Report will be revised and submitted to all applicable agencies. Furthermore, the compliance requirements necessary to claim apportionment days of attendance for students participating in the Independent Study program will be clearly communicated to the Charter School administration and teachers. These requirements will include a completed and signed Master Agreement (contract) prior to any attendance credit being given as well as obtaining and maintaining on file work samples from those students.

SALIDA UNION SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

2017-003 40000

SALIDA UNION SCHOOL DISTRICT

Immunizations

Criteria or Specific Requirement

Pursuant to Title 17, California Code of Regulations Section 6020, each pupil is required to have obtained a Tdap dose prior to admission into 7th Grade, as noted on the supplemental sticker form Tdap (Pertussis Booster) Requirement (PM 286S) or in another manner.

Condition

During our examination of schools identified within the District that did not report immunization assessment reports for 7th Grade, we discovered four pupils at Salida Middle School - Vella Campus had not received the required Tdap (Pertussis Booster) dose prior to admission into 7th Grade.

Question Costs

This resulted in a questioned costs of \$1,423.47. The questioned cost was determined by recalculating the District's LCFF funding using the corrected ADA totals and comparing the results with our original calculation.

Context

The condition identified was determined through review of immunization records from Salida Middle School - Vella Campus. The auditor reviewed a sample of immunization records drawn from the entire 7th Grade pupil population and discovered exceptions to the immunization requirement where four pupils did not obtain the required Tdap (Pertussis Booster) dose prior to admission into 7th Grade.

Effect

As a result of our testing, the District was not in compliance with Title 17, California Code of Regulations Section 6020 and therefore, 0.21 ADA and 0.17 ADA is disallowed for the Second Period and Annual Reports of Attendance, respectively, for the 2016-2017 school year.

Cause

The condition identified was a result of the site not consistently ensuring 7th Grade pupils received the appropriate vaccinations prior to admission or within the timeframe mentioned.

SALIDA UNION SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Recommendation

The District should revise their Second Period and Annual Reports of Attendance to exclude the 0.21 and 0.17 disallowed ADAs. Additionally, the District should strive to improve implemented procedures requiring site personnel to verify incoming pupils have obtained the required immunization vaccines. The District should communicate to the sites the importance of following the established procedures to ensure compliance with program requirements.

Corrective Action Plan

The Second Period Attendance Report will be revised and submitted to all applicable agencies. State required immunization status for students will be closely monitored in the future. Students not meeting the immunization requirements will not be included when claimed apportionment attendance.

SALIDA UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no audit findings reported in the prior year's schedule of financial statement findings.

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
Salida Union School District
Salida, California

In planning and performing our audit of the financial statements of Salida Union School District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 13, 2017, on the government-wide financial statements of the District.

FISCAL PROJECTIONS

Observation

During our audit, we noted that the adopted budget for the 2017-2018 fiscal year reflected deficit spending of \$1,664,515 and reserves of 12.02 percent. The prior two fiscal years have reflected healthy reserves of around 18-19 percent. Planned deficit spending for expenditures such as new district wide instructional materials adoptions or planned construction projects can sometimes explain reserve reductions. The projection, in and of themselves, are not alarming for 2017-2018, however, we also noted continued deficit spending projected in the District's interim reports bring their reserves down another \$1,007,260 for the 2018-2019 fiscal year. Leaving the District with a reserve percentage of 6.46 percent.

Recommendation

The District must closely monitor the projected years of deficit spending and related reductions in reserves. Operating cost increases that our out of the District's control such as increases in the employer rates of CalSTRS and CalPERS pension contributions and increasing health and welfare costs make this required monitoring even more critical to ensure sufficient reserves are maintained by the District.

Governing Board
Salida Union School District

SALIDA MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Bank Reconciliation

Observation

In reviewing the outstanding check listing for the September 2016 reconciliation, we noted numerous checks, deposits, and adjustments were still outstanding and were older than six months. Auditor then reviewed the March 2017 reconciliation and noted that most, but not all, were removed from the reconciliation. Outstanding items greater than six months on the reconciliation that will never clear the bank account skew the amounts of the account balances.

Recommendation

Outstanding items over six months old should be removed from the bank reconciliation. Although the chances are low, the items may clear on a subsequent bank statement. In this case, the amount should be entered again and cleared in the current bank reconciliation.

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

Vannink, Trine, Day & Co, LLP

Fresno, California
December 13, 2017