

SALIDA UNION SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SALIDA UNION SCHOOL DISTRICT

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FINANCIAL SECTION

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

VALUE THE *distinction*

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, 2018, 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 *2017-2018 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 Entity'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 Entity'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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on pages 61, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 62, schedule of the District's proportionate share of the net pension liability on page 63, and the schedule of District contributions on page 64, 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)* 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 7, 2018, 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, Trini, Day & Co, LLP

Fresno, California
December 7, 2018

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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, 2018

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, 2018, with comparative information 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 2017-2018 fiscal year totaled 2,467. 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, 2018

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, 2018

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, 2018, was \$8.7 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		
	2018	2017, as restated	Variance
Assets			
Current and other assets	\$ 12.8	\$ 12.6	\$ 0.2
Capital assets	30.1	31.8	(1.7)
Total Assets	<u>42.9</u>	<u>44.4</u>	<u>(1.5)</u>
Deferred Outflows of Resources	<u>8.4</u>	<u>5.4</u>	<u>3.0</u>
Liabilities			
Current liabilities	1.0	0.9	0.1
Long-term obligations other than pensions	11.1	11.8	(0.7)
Net pension liability	28.6	25.8	2.8
Total Liabilities	<u>40.7</u>	<u>38.5</u>	<u>2.2</u>
Deferred Inflows of Resources	<u>1.9</u>	<u>0.7</u>	<u>1.2</u>
Net Position			
Net investment in capital assets	19.2	20.3	(1.1)
Restricted	1.4	1.5	(0.1)
Unrestricted	(11.9)	(11.2)	(0.7)
Total Net Position	<u>\$ 8.7</u>	<u>\$ 10.6</u>	<u>(1.9)</u>

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

JUNE 30, 2018

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		
	2018	2017	Variance
Revenues			
General Revenues:			
Federal and State Aid Not Restricted	\$ 20.2	\$ 19.8	\$ 0.4
Property Taxes	4.9	4.7	0.2
Other	1.3	1.5	(0.2)
Program Revenues:			
Charges for Services	0.3	0.3	-
Categorical Revenues	6.3	6.9	(0.6)
Total Revenues	33.0	33.2	(0.2)
Expenses			
Instruction Related	22.5	20.5	2.0
Pupil Services	3.7	3.7	-
Administration	2.2	2.0	0.2
Plant Services	2.6	1.8	0.8
Community Services	2.8	2.8	-
Other	1.1	1.1	-
Total Expenses	34.9	31.9	3.0
Change in Net Position	\$ (1.9)	\$ 1.3	\$ (3.2)

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

JUNE 30, 2018

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 increased during 2017-2018 as in Table 3 of Ending Fund Balances below.

Table 3 - Ending Fund Balances

(Amounts in millions)

Fund	June 30, 2018	June 30, 2017
General	\$ 6.3	\$ 6.9
Charter School	-	0.1
Child Development	0.3	0.2
Cafeteria	0.6	0.6
Deferred Maintenance	-	-
Building	-	-
Capital Facilities	-	0.2
County School Facilities	-	-
Special Reserve Capital Outlay	4.4	3.6
Bond Interest and Redemption	0.2	0.1
Total Fund Balances	\$ 11.8	\$ 11.7

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, Charter School, Child Development, and Cafeteria Funds.

The General Fund balance decreased \$0.6 million including making \$1.8 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 continues to decline primarily due to the District re-opening Mildred Perkins; the ending fund balance decreased \$48 thousand during the year.

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

The Cafeteria Fund experienced a slight decrease of \$5 thousand.

The District's capital funds are: Building, Capital Facilities, County Schools Facilities, and Special Reserve for Capital Outlay. The combined balances of these funds have increased by approximately \$0.6 million mainly due to the transfers in from the General Fund of \$1.3 million.

SALIDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

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

As a school district the main priority is education of its students. The primary functions of the District are Instruction, Instruction Related Activities, Pupil Services, and Plant Services. As noted in Figure 2 below, 72.67 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 7.51 percent of the total expenditures. You will also note, in Figure 3, that employee salaries and benefits consume 73.73 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	82.96%	\$22,258,779
Federal	4.38%	\$1,190,067
State	5.44%	\$1,476,471
Local/Other	8.22%	\$2,233,023
TOTAL	100%	\$27,158,339

**Figure
2**

Expenditures by Function	%	Value
Instruction	65.30%	\$16,992,780
Instruction Related	7.37%	\$1,917,140
Pupil Services	6.91%	\$1,797,495
General Admin	7.51%	\$1,953,846
Plant Services	8.45%	\$2,199,668
Community Services	1.97%	\$512,738
All Other	2.49%	\$648,569
TOTAL	100%	\$26,022,235

Figure 3

Expenditures by Object	%	Value
Certificated Salaries	44.52%	\$11,585,983
Classified Salaries	14.04%	\$3,654,319
Employee Benefits	15.17%	\$3,947,037
Books and Supplies	5.61%	\$1,459,523
Services	17.71%	\$4,608,865
Capital Outlay/Other	2.95%	\$766,508
TOTAL	100%	\$26,022,235

The District originally budgeted for a \$1.8 million deficit in the General Fund. However, revenues and other sources ended the year \$1.3 million above what was originally budgeted and expenditures and other outgo ended the year \$0.1 million more than was budgeted, leaving the fund with an actual deficit of \$0.6 million.

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

JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: At June 30, 2018, the District had \$30.1 million in a broad range of capital assets, including land, buildings, furniture and equipment, which is a net decrease of \$1.7 million over the prior year.

Table 4 - Capital Assets

(Amounts in millions)

	Governmental Activities		
	2018	2017	Variance
Land	\$ 7.6	\$ 7.6	\$ -
Land Improvements	0.1	0.2	(0.1)
Buildings and Improvements	21.7	23.7	(2.0)
Equipment	0.7	0.3	0.4
Total	\$ 30.1	\$ 31.8	\$ (1.7)

Depreciation of \$2.0 million was recognized during the year.

Long-Term Obligations: At year-end, the District had \$11.1 million in long-term obligations outstanding versus \$11.8 in the prior fiscal year. This is an decrease of \$0.7 million. Below is a list of these obligations.

Table 5 - Long-Term Obligations

(Amounts in millions)

	Governmental Activities		
	2018	2017, as restated	Variance
General Obligation Bonds	\$ 0.3	\$ 0.4	\$ (0.1)
Certificates of Participation	4.8	5.0	(0.2)
Qualified Zone Academy Bond	3.9	4.0	(0.1)
Compensated Absences	- ¹	0.1	(0.1)
Energy loan	1.9	2.1	(0.2)
Other postemployment benefits	0.2	0.2	-
Total	\$ 11.1	\$ 11.8	\$ (0.7)

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

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, 2018, the District reported Deferred Outflows from pension activities of \$8.4 million, Deferred Inflows from pension activities of \$1.9 million, and a Net Pension Liability of \$28.6 million.

SALIDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 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. In 2017-2018 our Special Education encroachment equated to 14.20 percent of our total General Fund Revenues. 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, 2018

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 11,664,408
Receivables	1,155,361
Prepaid expenses	3,730
Nondepreciable capital assets	7,578,569
Capital assets being depreciated	64,290,850
Accumulated depreciation	(41,761,716)
Total Assets	<u>42,931,202</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>8,381,443</u>
 LIABILITIES	
Accounts payable	1,016,308
Long-term obligations:	
Current portion of long-term obligations	617,723
Noncurrent portion of long-term obligations	10,526,325
Total Long-Term Obligations	<u>11,144,048</u>
Aggregate net pension liability	<u>28,554,102</u>
Total Liabilities	<u>40,714,458</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>1,938,346</u>
 NET POSITION	
Net investment in capital assets	19,171,616
Restricted for:	
Debt service	116,858
Capital projects	68,391
Educational programs	609,701
Other activities	587,689
Unrestricted	(11,894,414)
Total Net Position	<u>\$ 8,659,841</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, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 20,216,672	\$ 147,358	\$ 1,747,288	\$ 381
Instruction-related activities:				
Supervision of instruction	602,811	7,008	225,966	-
Instructional library, media, and technology	161,904	-	35,273	-
School site administration	1,555,709	-	1,290	-
Pupil services:				
Home-to-school transportation	526,789	-	-	-
Food services	1,658,364	91,709	1,313,643	-
All other pupil services	1,537,190	25,351	175,224	-
Administration:				
Data processing	545,993	-	25,358	-
All other administration	1,612,787	4,966	215,022	-
Plant services	2,585,896	2,890	55,791	-
Ancillary services	20	-	-	-
Community services	2,848,728	-	2,387,479	-
Interest on long-term obligations	477,232	-	-	-
Other outgo	648,569	21,360	107,865	-
Total Governmental Activities	\$ 34,978,664	\$ 300,642	\$ 6,290,199	\$ 381
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
Subtotal, General Revenues				
Change in Net Position				
Net Position - Beginning as Restated				
Net Position - Ending				

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
\$ (18,321,645)
(369,837)
(126,631)
(1,554,419)
(526,789)
(253,012)
(1,336,615)
(520,635)
(1,392,799)
(2,527,215)
(20)
(461,249)
(477,232)
(519,344)
<u>(28,387,442)</u>
4,464,951
117,352
340,358
20,163,084
109,172
1,270,213
<u>26,465,130</u>
(1,922,312)
10,582,153
<u>\$ 8,659,841</u>

SALIDA UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 7,673,409	\$ 3,150,808	\$ 840,191
Receivables	678,641	665	476,055
Due from other funds	351,344	1,300,000	213,575
Prepaid expenditures	2,272	1,458	-
Total Assets	<u>\$ 8,705,666</u>	<u>\$ 4,452,931</u>	<u>\$ 1,529,821</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 883,817	\$ 11,421	\$ 121,070
Due to other funds	1,513,575	-	351,344
Total Liabilities	<u>2,397,392</u>	<u>11,421</u>	<u>472,414</u>
Fund Balances:			
Nonspendable	12,272	1,458	-
Restricted	326,923	-	1,055,716
Committed	-	-	1,032
Assigned	1,013,627	4,440,052	659
Unassigned	4,955,452	-	-
Total Fund Balances	<u>6,308,274</u>	<u>4,441,510</u>	<u>1,057,407</u>
Total Liabilities and Fund Balances	<u>\$ 8,705,666</u>	<u>\$ 4,452,931</u>	<u>\$ 1,529,821</u>

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

**Total
Governmental
Funds**

\$	11,664,408
	1,155,361
	1,864,919
	3,730
\$	<u>14,688,418</u>

\$	1,016,308
	1,864,919
	<u>2,881,227</u>

	13,730
	1,382,639
	1,032
	5,454,338
	4,955,452
	<u>11,807,191</u>

\$	<u>14,688,418</u>
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SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds		\$ 11,807,191
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	\$ 71,869,419	
Accumulated depreciation is	<u>(41,761,716)</u>	
Net Capital Assets		30,107,703
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	2,512,449	
Net change in proportionate share of net pension liability	224,061	
Difference between projected and actual earnings on pension plan investments	313,389	
Differences between expected and actual experience in the measurement of the total pension liability.	396,650	
Changes of assumptions	<u>4,934,894</u>	
Total Deferred Outflows of Resources Related to Pensions		8,381,443
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(972,462)	
Difference between projected and actual earnings on pension plan investments	(519,201)	
Differences between expected and actual experience in the measurement of the total pension liability.	(340,021)	
Changes of assumptions	<u>(106,662)</u>	
Total Deferred Inflows of Resources Related to Pensions		(1,938,346)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(28,554,102)

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

SALIDA UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2018**

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	\$ (315,000)	
Certificates of participation	(4,805,000)	
Energy loan	(1,951,746)	
Compensated absences	(46,744)	
Qualified Zone Academy Bonds	(3,865,000)	
Other postemployment benefits (OPEB) liability (Medicare Premium Payment Program)	<u>(160,558)</u>	
Total Long-Term Obligations		<u>\$ (11,144,048)</u>
Total Net Position - Governmental Activities		<u><u>\$ 8,659,841</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, 2018**

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds
REVENUES			
Local Control Funding Formula	\$ 22,258,779	\$ -	\$ 610,823
Federal sources	1,315,509	-	2,943,207
Other State sources	2,372,760	-	532,371
Other local sources	2,153,144	383,955	262,782
Total Revenues	28,100,192	383,955	4,349,183
EXPENDITURES			
Current			
Instruction	17,562,616	-	665,730
Instruction-related activities:			
Supervision of instruction	545,289	-	32,548
Instructional library, media and technology	151,040	-	4,108
School site administration	1,297,807	-	49,214
Pupil services:			
Home-to-school transportation	479,802	-	-
Food services	36,913	-	1,520,462
All other pupil services	1,378,100	-	88,838
Administration:			
Data processing	703,458	-	818
All other administration	1,302,216	-	165,034
Plant services	2,243,593	7,187	88,091
Community services	603,860	-	1,979,809
Other outgo	648,569	-	-
Facility acquisition and construction	6,855	99,892	-
Debt service			
Principal	-	502,723	95,000
Interest and other	-	255,699	221,533
Total Expenditures	26,960,118	865,501	4,911,185
Excess (Deficiency) of Revenues Over Expenditures	1,140,074	(481,546)	(562,002)
Other Financing Sources (Uses)			
Transfers in	5,387	1,300,000	467,552
Transfers out	(1,767,552)	-	(5,387)
Net Financing Sources (Uses)	(1,762,165)	1,300,000	462,165
NET CHANGE IN FUND BALANCES	(622,091)	818,454	(99,837)
Fund Balance - Beginning	6,930,365	3,623,056	1,157,244
Fund Balance - Ending	\$ 6,308,274	\$ 4,441,510	\$ 1,057,407

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

Total Governmental Funds	
\$	22,869,602
	4,258,716
	2,905,131
	2,799,881
	<u>32,833,330</u>
	18,228,346
	577,837
	155,148
	1,347,021
	479,802
	1,557,375
	1,466,938
	704,276
	1,467,250
	2,338,871
	2,583,669
	648,569
	106,747
	597,723
	477,232
	<u>32,736,804</u>
	96,526
	1,772,939
	<u>(1,772,939)</u>
	-
	96,526
	11,710,665
\$	<u><u>11,807,191</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, 2018

Total Net Change in Fund Balances - Governmental Funds **\$ 96,526**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlay	\$ 381,338	
Depreciation expense	<u>(2,064,577)</u>	
Net Expense Adjustment		(1,683,239)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(2,438)
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In the Statement of Activities, compensated absences (vacations) 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 \$8,580.		8,580
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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.		(962,007)
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Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		22,543
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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		95,000
Certificates of participation		230,000
Energy loan		102,723
Qualified zone academy bond		<u>170,000</u>

Change in Net Position of Governmental Activities		<u>\$ (1,922,312)</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, 2018**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 137,353
LIABILITIES	
Due to student groups	\$ 137,353

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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 \$345,212 each, and an increase in revenues of \$3,969.

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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. 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 operating 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, 2018

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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 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, 2018

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, 2018

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, 2018, 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 (Expenses)

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

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, 2018

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, 2018

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, 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.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$1,382,639 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.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

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;
- 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;

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

- 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; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. 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.

SALIDA UNION SCHOOL DISTRICT

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JUNE 30, 2018

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 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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JUNE 30, 2018

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 11,664,408
Fiduciary funds	137,353
Total Deposits and Investments	<u>\$ 11,801,761</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 166,393
Cash in revolving	10,000
Investments	11,625,368
Total Deposits and Investments	<u>\$ 11,801,761</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.

SALIDA UNION SCHOOL DISTRICT

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JUNE 30, 2018

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.

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, 2018

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 11,365,281	\$ -	\$ 11,365,281	\$ -	\$ -
U.S. Treasury Obligations	255,787	255,787	-	-	-
Total	\$ 11,621,068	\$ 255,787	\$ 11,365,281	\$ -	\$ -

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, 2018, 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in U.S. Treasury Obligations of \$255,787, the District has no apparent custodial credit risk exposure because the related securities are backed by the full credit of the United States government. The District does not have a policy limiting the amount of securities that can be held by counterparties.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, consisted of intergovernmental grants, entitlements, 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	\$ 212,756	\$ -	\$ 339,305	\$ 552,061
State Government				
State grants and entitlements	186,053	-	135,648	321,701
Local Sources	279,832	665	1,102	281,599
Total	<u>\$ 678,641</u>	<u>\$ 665</u>	<u>\$ 476,055</u>	<u>\$ 1,155,361</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 7,578,569	\$ -	\$ -	\$ 7,578,569
Capital Assets being depreciated				
Land improvements	259,296	-	-	259,296
Buildings and improvements	60,910,693	5,500	-	60,916,193
Furniture and equipment	2,820,828	375,838	81,305	3,115,361
Total Capital Assets Being Depreciated	63,990,817	381,338	81,305	64,290,850
Less Accumulated Depreciation				
Land improvements	107,732	17,287	-	125,019
Buildings and improvements	37,210,469	1,964,491	-	39,174,960
Furniture and equipment	2,457,805	82,799	78,867	2,461,737
Total Accumulated Depreciation	39,776,006	2,064,577	78,867	41,761,716
Governmental Activities Capital Assets, Net	<u>\$ 31,793,380</u>	<u>\$ (1,683,239)</u>	<u>\$ 2,438</u>	<u>\$ 30,107,703</u>

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

Governmental Activities	
Instructional	\$ 1,280,038
School administration	144,520
Home-to-school transportation	123,875
Food services	61,937
Community services	165,166
All other general administration	103,229
Plant services	185,812
Total Depreciation Expenses, Governmental Activities	<u>\$ 2,064,577</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 351,344	\$ 1,513,575
Special Reserve Capital Outlay	1,300,000	-
Total Major Governmental Funds	<u>1,651,344</u>	<u>1,513,575</u>
Non-Major Governmental Funds		
Charter School	213,575	252,115
Child Development	-	16,675
Cafeteria	-	82,554
Total Non-Major Governmental Funds	<u>213,575</u>	<u>351,344</u>
Total All Governmental Funds	<u>\$ 1,864,919</u>	<u>\$ 1,864,919</u>

The General Fund owes the Special Reserve Capital Outlay Fund for modernization and long-term debt reserves.	\$ 1,300,000
The General Fund owes the Charter School Non-Major Governmental Fund for a temporary cash flow loan.	213,000
The General Fund owes the Charter School Non-Major Governmental Fund to correct an expense posting.	575
The Charter School Non-Major Governmental Fund owes the General Fund for the purpose of the annual Maintenance Agreement.	244,735
The Charter School Non-Major Governmental Fund owes the General Fund for the final repayment plan for ADA revisions (year 5).	5,387
The Charter School Non-Major Governmental Fund owes the General Fund for professional development costs.	1,993
The Child Development Non-Major Governmental Fund owes the General Fund for transfers of CalCard expenses.	16,675
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	82,554
Total	<u>\$ 1,864,919</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, consisted of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for modernization and long-term debt reserves.	\$ 1,300,000
The General Fund transferred to the Charter School Non-Major Governmental Fund for a temporary cash flow loan.	213,000
The General Fund transferred to the Child Development Non-Major Governmental Fund for cash flow purposes.	135,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for a 2016-2017 audit finding.	113,762
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for bad debt expense.	5,790
The Charter School Non-Major Governmental Fund transferred to the General Fund for the final repayment for ADA revisions (year 5).	5,387
Total Interfund Transfers	<u><u>\$ 1,772,939</u></u>

NOTE 7 - PREPAID EXPENDITURES (EXPENSES)

Prepaid expenditures (expenses) at June 30, 2018, consist of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total
Technology contracts	\$ 2,272	\$ -	\$ 2,272
Bank interest	-	1,458	1,458
Total	<u><u>\$ 2,272</u></u>	<u><u>\$ 1,458</u></u>	<u><u>\$ 3,730</u></u>

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 82,554	\$ 11,421	\$ 14,388	\$ 108,363
Salaries and benefits	669,003	-	106,682	775,685
State principal apportionment	132,260	-	-	132,260
Total	<u>\$ 883,817</u>	<u>\$ 11,421</u>	<u>\$ 121,070</u>	<u>\$ 1,016,308</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance June 30, 2017, as Restated	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds	\$ 410,000	\$ 95,000	\$ 315,000	\$ 100,000
Certificates of Participation	5,035,000	230,000	4,805,000	240,000
Energy Loan	2,054,469	102,723	1,951,746	102,723
Compensated absences - net	55,324	8,580	46,744	-
Qualified Zone Academy Bond	4,035,000	170,000	3,865,000	175,000
Other postemployment benefits (Medicare Premium Payment Program)	183,101	22,543	160,558	-
Total	<u>\$ 11,772,894</u>	<u>\$ 628,846</u>	<u>\$ 11,144,048</u>	<u>\$ 617,723</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 other postemployment benefits (Medicare Premium Payment Program) will be paid by the fund for which the employee worked.

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2017	Redeemed	Bonds Outstanding June 30, 2018
1988	2021	5.5-5.6	\$ 1,500,000	\$ 410,000	\$ 95,000	\$ 315,000

Debt Service Requirements to Maturity

The bonds mature through 2021 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 100,000	\$ 14,575	\$ 114,575
2020	105,000	8,938	113,938
2021	110,000	3,025	113,025
Total	\$ 315,000	\$ 26,538	\$ 341,538

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, 2018, the principal balance outstanding was \$725,000.

The certificates mature through 2023 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	\$ 725,000	\$ 136,429	\$ 861,429

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the principal balance outstanding was \$4,080,000.

The certificates mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	130,000	178,355	308,355
2024-2028	745,000	797,455	1,542,455
2029-2033	950,000	593,750	1,543,750
2034-2038	1,210,000	331,000	1,541,000
2039-2040	575,000	43,500	618,500
Total	<u>\$ 4,080,000</u>	<u>\$ 2,706,840</u>	<u>\$ 6,786,840</u>

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:

<u>Fiscal Year</u>	<u>Principal</u>
2019	\$ 102,723
2020	102,723
2021	102,724
2022	102,723
2023	102,724
2024-2028	513,617
2029-2033	513,618
2034-2037	410,894
Total	<u>\$ 1,951,746</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2018, amounted to \$46,744.

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>
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	170,000	169,525	339,525
2024-2028	955,000	716,275	1,671,275
2029-2033	1,180,000	431,750	1,611,750
2034-2036	915,000	93,500	1,008,500
Total	<u>\$ 3,865,000</u>	<u>\$ 2,161,150</u>	<u>\$ 6,026,150</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	OPEB Expense
Medicare Premium Payment (MPP) Program	\$ 160,558	\$ (22,543)

The details of the plan are as follows:

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$160,558 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0382 percent, and 0.0391 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(22,543).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.58%)	\$ 177,749
Current discount rate (3.58%)	160,558
1% increase (4.58%)	143,837

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 145,089
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	160,558
1% increase (4.7% Part A and 5.1% Part B)	175,873

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	2,272	1,458	-	3,730
Total Nonspendable	<u>12,272</u>	<u>1,458</u>	<u>-</u>	<u>13,730</u>
Restricted				
Legally restricted programs	326,923	-	870,467	1,197,390
Capital projects	-	-	68,391	68,391
Debt service	-	-	116,858	116,858
Total Restricted	<u>326,923</u>	<u>-</u>	<u>1,055,716</u>	<u>1,382,639</u>
Committed				
Deferred maintenance projects	-	-	1,032	1,032
Assigned				
Parent fees	68,415	-	-	68,415
Curriculum adoption	300,000	-	-	300,000
Technology upgrades	300,000	-	-	300,000
Capital projects	-	4,440,052	-	4,440,052
Special projects	345,212	-	-	345,212
Other assignments	-	-	659	659
Total Assigned	<u>1,013,627</u>	<u>4,440,052</u>	<u>659</u>	<u>5,454,338</u>
Unassigned				
Reserve for economic uncertainties	2,602,223	-	-	2,602,223
Remaining unassigned	2,353,229	-	-	2,353,229
Total Unassigned	<u>4,955,452</u>	<u>-</u>	<u>-</u>	<u>4,955,452</u>
Total	<u>\$ 6,308,274</u>	<u>\$ 4,441,510</u>	<u>\$ 1,057,407</u>	<u>\$ 11,807,191</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, 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 2018, 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, 2018

For the fiscal year ended June 30, 2018, 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	\$ 19,494,829	\$ 5,588,002	\$ 1,480,098	\$ 1,906,937
CalPERS	9,059,273	2,793,441	458,248	1,567,519
Total	\$ 28,554,102	\$ 8,381,443	\$ 1,938,346	\$ 3,474,456

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were \$1,726,421.

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

At June 30, 2018, 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	\$ 19,494,829
State's proportionate share of the net pension liability associated with the District	<u>11,532,976</u>
Total	<u><u>\$ 31,027,805</u></u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0211 percent and 0.220 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$1,906,937. In addition, the District recognized pension expense and revenue of \$1,160,905 for support provided by the State. At June 30, 2018, 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	\$ 1,726,421	\$ -
Net change in proportionate share of net pension liability	177,842	620,876
Difference between projected and actual earnings on pension plan investments	-	519,201
Differences between expected and actual experience in the measurement of the total pension liability	72,094	340,021
Changes of assumptions	3,611,645	-
Total	<u>\$ 5,588,002</u>	<u>\$ 1,480,098</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 inflows 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 Inflows of Resources
2019	\$ (431,630)
2020	326,618
2021	47,096
2022	(461,285)
Total	<u>\$ (519,201)</u>

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2019	\$ 478,376
2020	478,376
2021	478,376
2022	478,378
2023	473,438
Thereafter	513,740
Total	<u>\$ 2,900,684</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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 7.10 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 (7.10 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 (6.10%)	\$ 28,624,598
Current discount rate (7.10%)	19,494,829
1% increase (8.10%)	12,085,403

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, are presented above and the total District contributions were \$786,028.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$9,059,273. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.0379 percent and 0.0408 percent, resulting in a net decrease in the proportionate share of 0.0029 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,567,519. At June 30, 2018, 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	\$ 786,028	\$ -
Net change in proportionate share of net pension liability	46,219	351,586
Difference between projected and actual earnings on pension plan investments	313,389	-
Differences between expected and actual experience in the measurement of the total pension liability	324,556	-
Changes of assumptions	1,323,249	106,662
Total	<u>\$ 2,793,441</u>	<u>\$ 458,248</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.

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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
2019	\$ (8,492)
2020	361,582
2021	131,910
2022	(171,611)
Total	<u>\$ 313,389</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2019	\$ 460,847
2020	426,400
2021	348,529
Total	<u>\$ 1,235,776</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 13,329,094
Current discount rate (7.15%)	9,059,273
1% increase (8.15%)	5,517,099

SALIDA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$937,883 (9.328 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 not been included in the calculation of available reserves, and have not been included in the budgeted or 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, 2018.

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, 2018, the District made payment of \$506,914 to CRSIG for workers' compensation and property and liability insurance.

SALIDA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

During the year ended June 30, 2018, the District made payment of \$1,028,921 to SISC for health coverage.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 10,765,254
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(183,101)</u>
Net Position - Beginning as Restated	<u><u>\$ 10,582,153</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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SALIDA UNION SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 22,293,384	\$ 22,382,592	\$ 22,258,779	\$ (123,813)
Federal sources	998,838	1,058,053	1,315,509	257,456
Other State sources	1,026,713	1,491,185	1,434,877	(56,308)
Other local sources	1,517,444	1,619,358	2,153,144	533,786
Total Revenues ¹	<u>25,836,379</u>	<u>26,551,188</u>	<u>27,162,309</u>	<u>611,121</u>
EXPENDITURES				
Current				
Certificated salaries	11,731,798	11,908,338	11,585,982	322,356
Classified salaries	3,928,174	4,051,340	3,654,319	397,021
Employee benefits	4,138,586	4,208,757	3,947,038	261,719
Books and supplies	1,790,572	1,696,503	1,459,523	236,980
Services and operating expenditures	5,322,461	5,191,268	4,608,865	582,403
Capital outlay	-	176,999	274,369	(97,370)
Other outgo	372,009	373,600	492,139	(118,539)
Total Expenditures ¹	<u>27,283,600</u>	<u>27,606,805</u>	<u>26,022,235</u>	<u>1,584,570</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,447,221)</u>	<u>(1,055,617)</u>	<u>1,140,074</u>	<u>2,195,691</u>
Other Financing Sources (Uses)				
Transfers in	5,390	5,390	5,387	(3)
Transfers out	(398,212)	(213,378)	(1,767,552)	(1,554,174)
Net Financing Sources (Uses)	<u>(392,822)</u>	<u>(207,988)</u>	<u>(1,762,165)</u>	<u>(1,554,177)</u>
NET CHANGE IN FUND BALANCES	<u>(1,840,043)</u>	<u>(1,263,605)</u>	<u>(622,091)</u>	<u>641,514</u>
Fund Balance - Beginning	6,930,365	6,930,365	6,930,365	-
Fund Balance - Ending	<u>\$ 5,090,322</u>	<u>\$ 5,666,760</u>	<u>\$ 6,308,274</u>	<u>\$ 641,514</u>

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.

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SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018**

Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0382%</u>
District's proportionate share of the net OPEB liability	<u>\$ 160,558</u>
District's covered-employee payroll	<u>N/A ¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A ¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

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, 2018**

	<u>2018</u>	<u>2017</u>
CalSTRS		
District's proportion of the net pension liability	0.0211%	0.0220%
District's proportionate share of the net pension liability	\$ 19,494,829	\$ 17,792,180
State's proportionate share of the net pension liability associated with the District	11,532,976	10,128,770
Total	<u>\$ 31,027,805</u>	<u>\$ 27,920,950</u>
District's covered - employee payroll	<u>\$ 11,180,723</u>	<u>\$ 11,045,452</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>174.36%</u>	<u>161.08%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0379%</u>	<u>0.4080%</u>
District's proportionate share of the net pension liability	<u>\$ 9,059,273</u>	<u>\$ 8,063,212</u>
District's covered - employee payroll	<u>\$ 4,841,763</u>	<u>\$ 4,917,507</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>187.11%</u>	<u>163.97%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0220%</u>	<u>0.0216%</u>
\$ 14,834,896	\$ 12,626,912
<u>7,846,025</u>	<u>7,624,675</u>
<u>\$ 22,680,921</u>	<u>\$ 20,251,587</u>
<u>\$ 11,159,054</u>	<u>\$ 9,636,448</u>
<u>132.94%</u>	<u>131.03%</u>
<u>74%</u>	<u>77%</u>
<u>0.0407%</u>	<u>0.0396%</u>
<u>\$ 6,000,692</u>	<u>\$ 4,500,475</u>
<u>\$ 4,539,886</u>	<u>\$ 4,146,548</u>
<u>132.18%</u>	<u>108.54%</u>
<u>79%</u>	<u>83%</u>

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 1,726,421	\$ 1,406,535
Contributions in relation to the contractually required contribution	<u>1,726,421</u>	<u>1,406,535</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 11,964,109</u>	<u>\$ 11,180,723</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
CalPERS		
Contractually required contribution	\$ 786,028	\$ 672,424
Contributions in relation to the contractually required contribution	<u>786,028</u>	<u>672,424</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 5,061,026</u>	<u>\$ 4,841,763</u>
Contributions as a percentage of covered - employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 1,185,177	\$ 990,924
<u>1,185,177</u>	<u>990,924</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 11,045,452	\$ 11,159,054
<u>10.73%</u>	<u>8.88%</u>
\$ 582,577	\$ 534,390
<u>582,577</u>	<u>534,390</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,917,507	\$ 4,539,886
<u>11.847%</u>	<u>11.771%</u>

SALIDA UNION SCHOOL DISTRICT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents 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.

At June 30, 2018, the District's General Fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Capital outlay	\$ 176,999	\$ 274,369	\$ 97,370
Other outgo	\$ 373,600	\$ 492,139	\$ 118,539
Transfers out	\$ 213,378	\$ 1,767,552	\$ 1,554,174

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

SALIDA UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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.

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SUPPLEMENTARY INFORMATION

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SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 457,139
Title I - Part A, Basic	84.010	14329	550,581
Title I - Part C, Migrant Education	84.011	14326	6,409
Title I - Part C, Migrant Education - Summer Program	84.011	14326	7,062
Title II - Supporting Effective Instruction	84.367	14341	78,915
Title III - English Language Acquisition - LEP	84.365	14346	85,814
Title III - English Language Acquisition - IEP	84.365	15146	4,147
Total U.S. Department of Education			<u>1,190,067</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child and Adult Care Food Program	10.558	13393	215,478
Child Nutrition Cluster			
National School Lunch	10.555	13391	853,125
Especially Needy Breakfast	10.553	13526	221,703
Basic Breakfast	10.553	13525	8,245
Seamless Summer	10.559	13004	26,302
Food Distribution - Commodities	10.555	13391	122,460
Subtotal, Child Nutrition Cluster			<u>1,231,835</u>
Total U.S. Department of Agriculture			<u>1,447,313</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	41,593
Medi-Cal Administrative Activities	93.778	10060	83,849
Head Start	93.600	10016	1,065,587
Early Head Start	93.600	15291	552,759
Total U.S. Department of Health and Human Services			<u>1,743,788</u>
Total Expenditures of Federal Awards			<u>\$ 4,381,168</u>

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2018

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, 2018**

	Second Period Report	Annual Report
SALIDA UNION SCHOOL DISTRICT		
Regular ADA		
Transitional kindergarten through third	969.91	970.60
Fourth through sixth	770.21	768.81
Seventh and eighth	537.95	537.63
Total ADA	<u>2,278.07</u>	<u>2,277.04</u>

	Second Period Report	Annual Report
INDEPENDENCE CHARTER SCHOOL		
Non-Classroom Based		
Regular ADA		
Transitional kindergarten through third	0.39	0.32
Fourth through sixth	0.03	0.03
Seventh and eighth	0.65	0.72
Total Non-Classroom Based ADA	<u>1.07</u>	<u>1.07</u>

Classroom based ADA		
Regular ADA		
Transitional kindergarten through third	58.57	58.47
Fourth through sixth	15.51	15.15
Total Classroom Based ADA	<u>74.08</u>	<u>73.62</u>
Total Charter School ADA	<u>75.15</u>	<u>74.69</u>

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Salida Union School District

Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	53,160	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		58,591	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,591	180	N/A	Complied
Grade 8		58,591	180	N/A	Complied

Independence Charter School - Classroom Based

Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,920	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,220	180	N/A	Complied
Grade 2		53,220	180	N/A	Complied
Grade 3		53,220	180	N/A	Complied
Grades 4 - 5	54,000				
Grade 4		57,330	180	N/A	Complied
Grade 5		57,330	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, 2018**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget) 2019 ^{1,4}	2018 ⁴	2017 ⁴	2016 ⁴
GENERAL FUND				
Revenues	\$ 27,603,064	\$ 27,158,340	\$ 26,456,200	\$ 26,102,363
Other sources and transfers in	-	5,387	16,329	16,329
Total Revenues and Other Sources ³	27,603,064	27,163,727	26,472,529	26,118,692
Expenditures	28,279,746	26,022,235	24,371,705	22,897,157
Other uses and transfers out	217,807	1,767,552	1,540,650	1,561,000
Total Expenditures and Other Uses ³	28,497,553	27,789,787	25,912,355	24,458,157
INCREASE (DECREASE) IN FUND BALANCE	\$ (894,489)	\$ (626,060)	\$ 560,174	\$ 1,660,535
ENDING FUND BALANCE	\$ 5,068,573	\$ 5,963,062	\$ 6,589,122	\$ 6,028,948
AVAILABLE RESERVES ²	\$ 3,552,522	\$ 4,955,452	\$ 4,944,929	\$ 4,452,072
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	12.47%	17.83%	19.08%	18.20%
LONG-TERM OBLIGATIONS ⁵	Not Available	\$ 11,144,048	\$ 11,772,894	\$ 11,262,002
AVERAGE DAILY ATTENDANCE AT P-2 (excludes Charter School ADA)	2,254	2,278	2,318	2,244

The General Fund balance has decreased by \$65,886 over the past two years. The fiscal year 2018-2019 budget projects a further decrease of \$894,489 (15.0 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have decreased by \$117,954 over the past two years.

Average daily attendance has increased by 34 over the past two years. A decline of 24 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 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 within the General Fund.

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

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

⁵ The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SALIDA UNION SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

<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, 2018**

	Charter School Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 77,324	\$ 39,672	\$ 536,258
Receivables	1,099	300,186	174,767
Due from other funds	213,575	-	-
Total Assets	\$ 291,998	\$ 339,858	\$ 711,025
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 26,301	\$ 53,987	\$ 40,782
Due to other funds	252,115	16,675	82,554
Total Liabilities	278,416	70,662	123,336
Fund Balances:			
Restricted	13,582	269,196	587,689
Committed	-	-	-
Assigned	-	-	-
Total Fund Balances	13,582	269,196	587,689
Total Liabilities and Fund Balances	\$ 291,998	\$ 339,858	\$ 711,025

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
\$ 1,032	\$ 656	\$ 35,237	\$ 33,154	\$ 116,858	\$ 840,191
-	3	-	-	-	476,055
-	-	-	-	-	213,575
<u>\$ 1,032</u>	<u>\$ 659</u>	<u>\$ 35,237</u>	<u>\$ 33,154</u>	<u>\$ 116,858</u>	<u>\$ 1,529,821</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,070
-	-	-	-	-	351,344
-	-	-	-	-	472,414
-	-	35,237	33,154	116,858	1,055,716
1,032	-	-	-	-	1,032
-	659	-	-	-	659
<u>1,032</u>	<u>659</u>	<u>35,237</u>	<u>33,154</u>	<u>116,858</u>	<u>1,057,407</u>
<u>\$ 1,032</u>	<u>\$ 659</u>	<u>\$ 35,237</u>	<u>\$ 33,154</u>	<u>\$ 116,858</u>	<u>\$ 1,529,821</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, 2018**

	Charter School Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Local Control Funding Formula	\$ 610,823	\$ -	\$ -
Federal sources	-	1,618,346	1,324,853
Other State sources	9,929	431,912	88,775
Other local sources	1,529	(222)	112,481
Total Revenues	622,281	2,050,036	1,526,109
EXPENDITURES			
Current			
Instruction	665,730	-	-
Instruction-related activities:			
Supervision of instruction	32,548	-	-
Instructional library, media, and technology	4,108	-	-
School site administration	49,214	-	-
Pupil services:			
Food services	-	-	1,520,462
All other pupil services	88,838	-	-
Administration:			
Data processing	818	-	-
All other administration	4,179	73,720	82,369
Plant services	33,072	6,508	48,511
Community services	-	1,979,809	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	878,507	2,060,037	1,651,342
Excess (Deficiency) of Revenues Over Expenditures	(256,226)	(10,001)	(125,233)
Other Financing Sources (Uses)			
Transfers in	213,000	135,000	119,552
Transfers out	(5,387)	-	-
Net Financing Sources (Uses)	207,613	135,000	119,552
NET CHANGE IN FUND BALANCES	(48,613)	124,999	(5,681)
Fund Balance - Beginning	62,195	144,197	593,370
Fund Balance - Ending	\$ 13,582	\$ 269,196	\$ 587,689

See accompanying note to supplementary information.

<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,823
-	-	-	-	8	2,943,207
-	-	-	-	1,755	532,371
4	9	33,001	382	115,598	262,782
<u>4</u>	<u>9</u>	<u>33,001</u>	<u>382</u>	<u>117,361</u>	<u>4,349,183</u>
-	-	-	-	-	665,730
-	-	-	-	-	32,548
-	-	-	-	-	4,108
-	-	-	-	-	49,214
-	-	-	-	-	1,520,462
-	-	-	-	-	88,838
-	-	-	-	-	818
-	-	4,766	-	-	165,034
-	-	-	-	-	88,091
-	-	-	-	-	1,979,809
-	-	-	-	95,000	95,000
-	-	201,595	-	19,938	221,533
-	-	<u>206,361</u>	-	<u>114,938</u>	<u>4,911,185</u>
<u>4</u>	<u>9</u>	<u>(173,360)</u>	<u>382</u>	<u>2,423</u>	<u>(562,002)</u>
-	-	-	-	-	467,552
-	-	-	-	-	(5,387)
-	-	-	-	-	462,165
4	9	(173,360)	382	2,423	(99,837)
1,028	650	208,597	32,772	114,435	1,157,244
<u>\$ 1,032</u>	<u>\$ 659</u>	<u>\$ 35,237</u>	<u>\$ 33,154</u>	<u>\$ 116,858</u>	<u>\$ 1,057,407</u>

SALIDA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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:		\$ 4,258,716
Reconciling items:		
Food Distribution - Commodities	10.555	122,460
FHA In Lieu Tax Apportionment	N/A	(8)
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,381,168</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, 2018

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 - Combining Balance Sheet and Combining 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, 2018, 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 7, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 7, 2018.

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.

Vannink, Trini, Day & Co, LLP

Fresno, California
December 7, 2018



VAVRINEK, TRINE, DAY & CO., LLP
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT 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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Salida Union School District's major Federal programs for the year ended June 30, 2018. 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 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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vannink, Trine, Day & Co, LLP

Fresno, California
December 7, 2018



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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 (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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 *2017-2018 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 Non Classroom-Based Instruction/Independent Study for Charter Schools

As described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, Salida Union School District did not comply with requirements regarding Non Classroom-Based Instruction/Independent Study for Charter Schools. Compliance with such requirements is necessary, in our opinion, for Salida Union School District to comply with the requirements applicable to that program.

Qualified Opinion on Non Classroom-Based Instruction/Independent Study for Charter Schools

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, 2018.

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, 2018, 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
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
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)

	<u>Procedures Performed</u>
CHARTER SCHOOLS	
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.

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

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 an Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based.

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, Trini, Day & Co, LLP

Fresno, California
December 7, 2018

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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, 2018**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for the major Federal program:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>Special Education, Basic Local Assistance</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>93.778</u>	<u>Medicaid Programs</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</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 Program</u>
<u>Non Classroom-Based Instruction/Independent Study for Charter Schools</u>

SALIDA UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

SALIDA UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

SALIDA UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

2018-001 10000

INDEPENDENCE CHARTER SCHOOL

Non Classroom-Based Instruction/Independent Study for Charter Schools

Criteria

According to *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2017-2018* 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, discrepancies were noted for two out of the four students enrolled. There were no signature dates for one of the student's master agreement. Therefore, we were unable to determine when the master agreement went into effect. Another student received five days of attendance apportionment prior to the date the master agreement was signed.

Questioned Costs

The fiscal impact amounted to a loss of 0.12 ADA, which is approximately \$882.63 in state apportionment funding.

Effect

The District needed to and did exclude the apportionment for the discrepancies noted above on the original Second Period and Annual Attendance Reports filed with the State.

Cause

It appears that the students' enrollment paperwork was not thoroughly reviewed by the Charter staff when it is turned in.

SALIDA UNION SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Recommendation

When student enrollment paperwork is turned in at the beginning of term, Charter staff should promptly perform a thorough review of the each student's paperwork verifying that the paperwork had been completed correctly and contained all required information. This prompt review will enable the staff to quickly contact parents to obtain the additional required information, preventing or minimizing any loss of Average Daily Attendance.

Corrective Action Plan

The staff at Independent Charter School will perform a thorough review of all forms in each students' file, prior to their first day, in order to verify that all paperwork has been completed correctly. This process will allow staff to promptly contact parents to obtain any missing required information before commencement.

SALIDA UNION SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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

Federal Awards Findings and Questioned Costs

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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.

Current Status

Implemented.

State Awards Findings and Questioned Costs

2017-002 10000

INDEPENDENCE CHARTER SCHOOL

Independent Study

Criteria

According to the 2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in 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.

SALIDA UNION SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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.

Effect

The District needs to revise the P2:

	Original Second Period Report	Per Audit Second Period Report	Net Change
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	(0.13)
Total Net Effect			<u>(0.23)</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.

Current Status

Implemented.

SALIDA UNION SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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.

Current Status

Implemented.



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Governing Board
 Salida Union School District
 Salida, California

In planning and performing our audit of the financial statements of Salida Union School District (the District) for the year ended June 30, 2018, 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 a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2018, on the government-wide financial statements of the District.

MILDRED PERKINS ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

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

Recommendation

Prenumbered receipts or a class roster/log should be used for all funds collections by teachers and advisors. These receipts should include the name of the person who the funds were collected from, the dates the funds were collected, and a description of what the funds were collected for. A carbon of the receipts or copy of the roster/log used by the teachers or advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in.

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
 December 7, 2018