

SALIDA UNION SCHOOL DISTRICT

COUNTY OF STANISLAUS

SALIDA, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

SALIDA UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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SALIDA UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salida Union School District
Salida, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Salida Union School District, as of and for the year ended June 30, 2010, which collectively comprise Salida Union School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Salida Union School District as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011 on our consideration of Salida Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Salida Union School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Salida Union School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
January 12, 2011





Salida Union School District

District Superintendent
Twila Tosh, Superintendent

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2010

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

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

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

This management's discussion and analysis of Salida Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. It is District management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Governmental funds—Most of the District's basic services are included in governmental funds, the General Fund being the largest fund in this category. Funds included in the grouping of Governmental funds are those activities that are unique to the special mission of a governmental organization, such as a public school district.
- Proprietary funds—Services that are solely supported by the District charging a fee, such as a Self-Insurance Fund, are generally reported as proprietary funds. The District does not operate any Proprietary funds.

- **Fiduciary Funds**—If the District is the trustee for assets that belong to others, such as the student activities funds or Mello-Roos Capital Projects funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Their activities are excluded from the Government-wide financial statements because the District could not use those assets to finance its operations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Fund Balance. The first view in an analysis of the District as a whole is fund balance and the changes that occurred during the fiscal year. The combined total of all funds dropped significantly during 2009/10 (down by 32%), as reflected in the total fund balance table on the next page. This overall decline in fund balance is represented in two key shifts. First the General Fund experienced a significant loss of funding and then fund balances in both reserve funds – Special Reserve for Other Than Capital Projects and Special Reserve for Capital Projects funds were transferred to support the General Fund, the primary reason for both events was the impact of declining enrollment, compounded by the current Sate financial crisis.

Table 1 – Ending Fund Balances

Fund	Ending Balances	
	June 30, 2009	June 30, 2010
General	\$1,122,953	\$1,359,322
Charter School	0	92,990
Child Development	8,173	16,602
Cafeteria	87,667	72,319
Deferred Maintenance	82,476	129,104
Special Reserve for Other Than Capital Projects	964,564	19,254
Foundation Special Reserve	4,932	0
Building Fund	269	268
Capital Facilities	37,011	59,367
County School Facilities	35,417	29,855
Special Reserve for Capital Projects	2,638,075	1,737,662
Mello-Roos Capital Projects	259,228	263,640
Bond Interest & Redemption	235,126	123,537
Total Fund Balances	\$5,475,890	\$3,903,920

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

The District began operation of Independence Charter School and therefore created a new fund for the financial management of that school and the balance of the Foundation Special Reserve fund was fully expended.

Net Assets. A second view in the analysis of the District is to look at the change in Net assets as shown on Table 2 on the next page. Net assets represent the portion of total assets actually owned free and clear by the District. The District's total Net Assets for the year ending June 30, 2010 was \$31.8 million.

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

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

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

Table 2- Statement of Net Assets

Assets	<u>30-Jun-09</u>	<u>30-Jun-10</u>	<u>% Change</u>
Cash and investments	\$2,624,008	\$2,371,149	-10%
Receivables	4,308,850	4,797,149	11%
Stores	65,490	71,521	9%
Prepaid Expenses	121,986	487,984	300%
Capital Assets			
Land	7,578,569	7,578,569	0%
Improvements of sites	108,100	108,100	0%
Buildings	53,183,703	53,183,703	0%
Equipment	2,417,295	2,485,260	3%
Work in progress	-	-	
Less accumulated depreciation	<u>-24,445,988</u>	<u>-26,410,317</u>	8%
Total Assets	45,962,013	44,673,118	-3%
Liabilities			
Accounts payable and other current liabilities	1,411,950	3,382,267	140%
Deferred revenue	110,508	50,453	-54%
Long term liabilities	<u>9,351,271</u>	<u>9,440,533</u>	1%
Total Liabilities	10,873,729	12,873,253	18%
Net Assets			
Total net assets	\$35,088,284	\$31,799,865	-9%

Changes in Net Assets. Net assets decreased from 2008/09 to 2009/10, primarily due to the financial challenges experienced at Salida Union School District from reasons identified earlier – declining enrollment and the current California State fiscal crisis. As stated, due to the deficit funding and deferment of operating revenue from the State, cash reserves were required to fund current operations and while cash and investments only declined by 10%, that included a temporary loan from the County office of Education for \$1.4 million, also reflected in Accounts Payable and Other Current Liabilities. This loan has since been repaid in the current fiscal year. The drop in Deferred Revenue is primarily due to the Tier III categorical flexibility transfer allowing previously restricted program balances to be moved to unrestricted balances.

Table 3 – Statement of Net Activities

Revenue	2008/09	2009/10	%Change
Charges for Service	\$412,680	\$324,896	-21%
Operating Grants and Contributions	8,957,810	7,896,019	-12%
Capital Grants and Contributions	629	449	-29%
Total General Revenues	<u>20,371,160</u>	<u>17,906,887</u>	-12%
Total Revenue	29,742,279	26,128,251	-12%
Expenditures			
Instruction	17,606,427	14,906,551	-15%
Instruction Related Service:			
Supervision of Instruction	455,457	296,502	-35%
Instructional Library, Media & Technology	254,284	211,789	-17%
School Site Administration	1,534,308	1,110,376	-28%
Pupil Services			
Home to School Transportation	681,584	680,300	0%
Food Services	2,050,637	2,096,289	2%
All Other Pupil Services	1,093,087	982,155	-10%
General Administration			
Data Processing	43,610	44,779	3%
All Other General Services	1,851,229	1,690,497	-9%
Plant Services	2,962,403	4,221,819	43%
Ancillary Services	26,451	27,297	3%
Community Services	2,746,530	2,373,342	-14%
Enterprise Activities	0	0	
Interest on Long-Term Debt	445,154	352,366	-21%
Other Outgo	<u>380,676</u>	<u>423,098</u>	11%
Total Expenses	<u>32,131,837</u>	<u>29,417,160</u>	-8%
CHANGE IN NET ASSETS – as compared to prior year	(2,389,558)	(3,288,909)	38%
NET ASSETS – Effective June 30	<u>\$35,088,774</u>	<u>\$31,799,865</u>	-9%

Table 3 is another view of Net Assets and how operations of the District impact Net Assets. Revenue minus Expenses will equal the change in Net Assets from year to year. This table looks at revenue and expenses as they are broken out by the various functions performed by the District. Noting that operations in 2009/10 were under extreme conditions, total revenue dropped by 12% while expenditures dropped by only 8%, with the bulk of cost saving actions from instruction, reflecting the temporary suspension of class size reduction, and instruction related services, reflecting cost savings in site supervision and administration by the closing of one elementary site.

Note: A significant change from 2008/09 to 2009/10 is the allocation of Accumulated Depreciation charges by function – in 2008/09 (approximately \$2 million). The depreciation charges for land improvements and buildings were primarily allocated to instruction, reflecting the use of those improvements and buildings. However, in 2009/10, they are allocated to plant services – this accounting change created a shift in spending as reflected in the statement of net activities when you compare the two years.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Core Operating Funds. The core operating funds consist of the General Fund, Charter School Special Revenue Fund, Child Development Fund, and Cafeteria Fund. Each experienced a decline in ending fund balance in 2009/10.

The General Fund received almost five million less revenue in 2009/10, primarily from \$2.8 million less for Revenue limit, reflecting our declining enrollment and State deferrals. Federal revenue also dropped, by \$1.4 million, reflecting the federal stimulus money received in 2008/09. Other State funding was also down by \$.7 million reflecting the State's declining revenue and reduced funding to categorical programs. While spending was severely curtailed during the year, such dramatic reductions in revenue could not be matched. The net result was a \$.2 million decline in ending fund balance.

The Charter School Special Revenue fund did not exist in 2008/09, so comparison between the two years is not possible.

Child Development fund saw a significant increase in funding, primarily from federal recovery funds to the Head Start and Early Head Start programs.

The Cafeteria Fund saw increased federal revenue due to increased reimbursable free and reduced meal servings. This greater revenue allowed the Cafeteria fund to contribute at a higher level to the General fund in closer recognition of the total cost of the Cafeteria fund. Despite these improvements, the portions of the total cost of the Cafeteria fund are still carried by the General fund.

Capital Funds. The District’s capital funds are: Capital Facilities, County Schools Facilities, and Special Reserve for Capital Projects. To maintain fiscal solvency in the General Fund, unrestricted reserves in the Special Reserve fund was transferred to the General Fund. This action, while necessary, will limit the District’s ability to continue to absorber funding shortfalls from the State.

It should be noted that all District funds are self-supporting. Refer to Table 1 for all “Governmental Fund” ending balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District receives revenue for the General Fund from several sources. The primary revenue sources are shown in Figure 1. The primary functions of the District are: Instruction, Instruction Related activities, Pupil Services and Plant Services. Figure 2 identifies the District’s spending in terms of those functions. It is important to note that General Administration accounts for only 6% of total expenditures. When expenditures are viewed by what is purchased (Vs. Why), you will note that salaries and employee benefits consume 89% of total expenditures, as shown in Figure 3.

Figure 1

Revenue	%	Value
Revenue Limit	63%	\$13,803,163
Federal	8%	1,839,660
State	20%	4,306,881
Local/Other	9%	1,897,385
TOTAL	100%	\$21,847,089

Figure 2

Expenditures by Function	%	Value
Instruction	51%	\$14,906,551
Instruction Related	6%	1,618,667
Pupil Services	13%	3,758,744
Ancillary / Community Services	8%	2,400,639
General Admin	6%	1,735,276
Plant Services	14%	4,221,819
All Other	3%	775,464
TOTAL	100%	\$29,417,160

Figure 3

Expenditures by Object	%	Value
Certificated Salaries	48%	\$11,014,343
Classified Salaries	17%	3,956,037
Employee Benefits	14%	3,222,026
Books and Supplies	3%	693,571
Services	16%	3,688,758
Capital Outlay/Other	2%	390,506
TOTAL	100%	\$22,965,241

CAPITAL ASSET AND DEBT ADMINISTRATION

In past years, the District had incurred long term debt in the acquisition and construction of facilities and other capital assets. Due to current operational needs and to address cash flow needs, the District refinanced some of that associated debt in May 2010. The refinancing allowed the District to lessen the immediate debt payments by making interest only payments until future years, when it is hoped that the State will begin to restore funding currently owed, either through deficit funding or deferrals, to California Local Education Agencies. Current and projected revenue streams with minimal general fund contributions are sufficient to service these obligations.

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

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

- Decline in the district enrollment. Average Daily Attendance (ADA) in the District continued to decline, impacted by home foreclosures and other difficult economic conditions, this time by 104 from 2008/09 to 2009/10 and is projected declines of another 90 for 2010/11. Year-to-Date enrollment so far in 2010/11 has declined by 87 students, coming very close to projections.
- Continued rising costs for special education. Transportation costs have continued to rise over the last several years. Payments to the County for serving some of the District's students as seen more than a ten-fold increase since 2005/06. Non-public school/non-public agency placement costs have nearly tripled since 2001-02. Additionally, the state has not passed on increases in federal funding for special education, instead using the funding to offset problems within the state's budget. This will continue to be a significant challenge to the District.
- Fiscal Uncertainty from the State. The State of California has an unresolved budget crisis and its budget for the 2010/11 fiscal year has already been identified as yielding a significant deficit that potentially could result in further mid-year cuts. Additionally, there continues to be no true consensus on a workable long term solution for the structural fiscal challenges the state faces.

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 Chief Business Officer, Salida Union School District, 4801 Sisk Road, Salida, CA 95368 or (209) 545-0339, extension 3128

BASIC FINANCIAL STATEMENTS

SALIDA UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 2,371,149
Accounts receivable	4,797,149
Prepaid expenditures	487,984
Stores inventory	71,521
Capital assets, net of accumulated depreciation (Note 4)	<u>36,945,315</u>
Total assets	<u>44,673,118</u>
LIABILITIES	
Accounts payable	1,972,498
Current loans	1,409,769
Deferred revenue	50,453
Long-term liabilities (Note 5):	
Due within one year	340,533
Due after one year	<u>9,100,000</u>
Total liabilities	<u>12,873,253</u>
NET ASSETS	
Invested in capital assets, net of related debt	29,818,724
Restricted (Note 6)	1,453,408
Unrestricted	<u>527,733</u>
Total net assets	<u><u>\$ 31,799,865</u></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, 2010

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities (Note 4):					
Instruction	\$ 14,906,551	\$ 19,265	\$ 2,820,568	\$ 449	\$ (12,066,269)
Instruction-related services:					
Supervision of instruction	296,502	386	105,593		(190,523)
Instructional library, media and technology	211,789		78,384		(133,405)
School site administration	1,110,376	584	35,109		(1,074,683)
Pupil services:					
Home-to-school transportation	680,300		200,315		(479,985)
Food services	2,096,289	259,374	1,750,396		(86,519)
All other pupil services	982,155	1,503	180,216		(800,436)
General administration:					
Data processing	44,779				(44,779)
All other general administration	1,690,497	3,062	104,343		(1,583,092)
Plant services	4,221,819	2,695	24,423		(4,194,701)
Ancillary services	27,297				(27,297)
Community services	2,373,342	15,170	2,297,373		(60,799)
Interest on long-term liabilities	352,366				(352,366)
Other outgo	423,098	22,857	299,299		(100,942)
	<u>\$ 29,417,160</u>	<u>\$ 324,896</u>	<u>\$ 7,896,019</u>	<u>\$ 449</u>	<u>(21,195,796)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					3,262,902
Taxes levied for debt service					121,711
Taxes levied for other specific purposes					165,465
Federal and state aid not restricted to specific purposes					13,551,775
Interest and investment earnings					23,501
Miscellaneous					781,533
Total general revenues					17,906,887
Change in net assets					(3,288,909)
Net assets, July 1, 2009					35,088,774
Net assets, June 30, 2010					\$ 31,799,865

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

SALIDA UNION SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 32,816	\$ 1	\$ 599,423	\$ 632,240
Cash on hand and in banks			500	500
Cash in revolving fund	10,000			10,000
Cash with Fiscal Agent		1,728,409		1,728,409
Accounts receivable	4,108,769	4,200	684,180	4,797,149
Due from other funds	274,228	122,668	216,783	613,679
Stores inventory			71,521	71,521
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,425,813</u>	<u>\$ 1,855,278</u>	<u>\$ 1,572,407</u>	<u>\$ 7,853,498</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,599,719	\$ 135	\$ 275,823	\$ 1,875,677
Current loans	1,409,769			1,409,769
Deferred revenue	50,453			50,453
Due to other funds	6,550	117,481	489,648	613,679
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,066,491</u>	<u>117,616</u>	<u>765,471</u>	<u>3,949,578</u>
Fund balances:				
Reserved for:				
Revolving fund	10,000			10,000
Stores inventory			71,521	71,521
Unspent categorical revenue	139,235			139,235
Unreserved, reported in:				
General Fund	1,210,087			1,210,087
Special Revenue Funds			258,748	258,748
Capital Projects Funds		1,737,662	353,130	2,090,792
Debt Service Funds			123,537	123,537
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,359,322</u>	<u>1,737,662</u>	<u>806,936</u>	<u>3,903,920</u>
	<u>\$ 4,425,813</u>	<u>\$ 1,855,278</u>	<u>\$ 1,572,407</u>	<u>\$ 7,853,498</u>

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 ASSETS**

June 30, 2010

Total fund balances - Governmental Funds	\$	3,903,920
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$63,355,632 and the accumulated depreciation is \$26,410,317 (Note 4).</p>		
		36,945,315
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2010 consisted of (Note 5):</p>		
General Obligation Bonds	\$ (940,000)	
Certificates of Participation	(5,915,000)	
Qualified Zone Academy Bond	(2,000,000)	
Early retirement incentive plan	(519,500)	
Compensated absences	<u>(66,033)</u>	(9,440,533)
<p>In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.</p>		
		487,984
<p>Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in the governmental funds.</p>		
		<u>(96,821)</u>
Total net assets - governmental activities	\$	<u><u>31,799,865</u></u>

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

SALIDA UNION SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 10,443,540			\$ 10,443,540
Local sources	<u>3,359,623</u>			<u>3,359,623</u>
Total revenue limit	<u>13,803,163</u>			<u>13,803,163</u>
Federal sources	1,839,660		\$ 1,367,457	3,207,117
Other state sources	4,306,881		600,875	4,907,756
Other local sources	<u>1,897,385</u>	<u>\$ 345,440</u>	<u>1,970,930</u>	<u>4,213,755</u>
Total revenues	<u>21,847,089</u>	<u>345,440</u>	<u>3,939,262</u>	<u>26,131,791</u>
Expenditures:				
Certificated salaries	11,014,342		587,118	11,601,460
Classified salaries	3,956,037		1,257,631	5,213,668
Employee benefits	3,222,026		453,055	3,675,081
Books and supplies	693,571	7,240	1,034,661	1,735,472
Contract services and operating expenditures	3,688,758	471,907	198,558	4,359,223
Capital outlay	5	8,941	57,757	66,703
Other outgo	390,501			390,501
Debt service:				
Principal retirement		4,615,000	190,000	4,805,000
Interest		<u>195,080</u>	<u>56,573</u>	<u>251,653</u>
Total expenditures	<u>22,965,240</u>	<u>5,298,168</u>	<u>3,835,353</u>	<u>32,098,761</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,118,151)</u>	<u>(4,952,728)</u>	<u>103,909</u>	<u>(5,966,970)</u>
Other financing sources (uses):				
Operating transfers in	1,473,188	147,471	118,668	1,739,327
Operating transfers out	(118,668)	(490,156)	(1,130,503)	(1,739,327)
Proceeds from COPs		<u>4,395,000</u>		<u>4,395,000</u>
Total other financing sources (uses)	<u>1,354,520</u>	<u>4,052,315</u>	<u>(1,011,835)</u>	<u>4,395,000</u>
Net change in fund balances	236,369	(900,413)	(907,926)	(1,571,970)
Fund balances, July 1, 2009	<u>1,122,953</u>	<u>2,638,075</u>	<u>1,714,862</u>	<u>5,475,890</u>
Fund balances, June 30, 2010	<u>\$ 1,359,322</u>	<u>\$ 1,737,662</u>	<u>\$ 806,936</u>	<u>\$ 3,903,920</u>

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

SALIDA UNION SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

Net change in fund balances - Total Governmental Funds		\$ (1,571,970)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	\$ 67,965	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(1,964,329)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	4,805,000	
In the governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statement, proceeds from debt are reported as increases to liabilities (Note 5).	(4,395,000)	
In the governmental funds, debt issuance costs are recognized as expenditures. In the government-wide statements, issuance costs are amortized over the life of the debt.	365,998	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases liabilities in the statement of net assets.	(96,821)	
In the statement of activities, expenses related to early retirement incentives and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(499,752)</u>	<u>(1,716,939)</u>
Change in net assets of governmental activities		<u>\$ (3,288,909)</u>

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

SALIDA UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
ALL AGENCY FUNDS

June 30, 2010

	<u>Student Body Fund</u>
ASSETS	
Cash on hand and in banks (Note 2)	\$ <u>211,676</u>
LIABILITIES	
Due to student groups	<u>211,676</u>
NET ASSETS	
Net assets	<u><u>\$ -</u></u>

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Special Revenue Funds:

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

3 - Capital Projects Funds:

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

4 - Debt Service Fund:

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

B - Fiduciary Fund Type

1 - Agency Funds:

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

Budgets and Budgetary Accounting

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

The District employs budgetary control by major object code and by individual appropriation account. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Trustees to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Capital Assets

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

Compensated Absences

Compensated absences in the amount of \$66,033 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

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

Encumbrances

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

Stores Inventory

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

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

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net assets restricted for special purposes, capital projects and the retirement of debt.

Property Taxes

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

Eliminations and Reclassifications

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

Estimates

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2010 consisted of the following:

	Governmental Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 632,240	
Deposits:		
Cash on hand and in banks	500	\$ 211,676
Cash in revolving fund	10,000	
Cash with Fiscal Agent	1,728,409	
Total	\$ 2,371,149	\$ 211,676

Pooled Funds

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

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

In accordance with applicable state laws, the Stanislaus County Treasurer may invest in derivative securities. However, at June 30, 2010, the Stanislaus County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's accounts was \$222,176 and the bank balances were \$224,081, all of which was covered by FDIC insurance.

Cash with Fiscal Agent

Cash with Fiscal Agent represent amounts held by a third party custodian in the District's name for future capital projects.

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2010 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 274,228	\$ 6,550
Special Reserve for Capital Projects	122,668	117,481
Non-Major Funds:		
Charter School	95,746	12,345
Child Development		205,122
Cafeteria		266,268
Deferred Maintenance	10,620	
Special Reserve for Other Than Capital Projects	15,906	
Foundation	5,557	5,558
Building	29,752	
Capital Facilities		355
County School Facilities	59,202	
Totals	\$ 613,679	\$ 613,679

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for deferred maintenance projects.	\$ 118,668
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	23,032
Transfer from the Cafeteria Fund to the Special Reserve for Capital Projects Fund for prior year costs.	147,471
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for prior year costs.	490,156
Transfer from the Special Reserve for Other Than Capital Projects Fund to the General Fund for contribution required due to fiscal crisis.	<u>960,000</u>
	<u><u>\$ 1,739,327</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2010, is shown below:

	<u>Balance July 1, 2009</u>	<u>Transfers and Additions</u>	<u>Transfers and Deductions</u>	<u>Balance June 30, 2010</u>
Non-depreciable:				
Land	\$ 7,578,569			\$ 7,578,569
Depreciable:				
Improvement of sites	108,100			108,100
Buildings	53,183,703			53,183,703
Equipment	<u>2,417,295</u>	<u>\$ 67,965</u>		<u>2,485,260</u>
Totals, at cost	<u>63,287,667</u>	<u>67,965</u>		<u>63,355,632</u>
Less accumulated depreciation:				
Improvement of sites	(19,840)	(7,207)		(27,047)
Buildings	(22,559,398)	(1,825,475)		(24,384,873)
Equipment	<u>(1,866,750)</u>	<u>(131,647)</u>		<u>(1,998,397)</u>
Total accumulated depreciation	<u>(24,445,988)</u>	<u>(1,964,329)</u>		<u>(26,410,317)</u>
Capital assets, net	<u>\$ 38,841,679</u>	<u>\$ (1,896,364)</u>	<u>\$ -</u>	<u>\$ 36,945,315</u>

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Food services	\$ 131,647
Plant services	<u>1,832,682</u>
Total depreciation expense	<u><u>\$ 1,964,329</u></u>

5. LONG-TERM LIABILITIES

General Obligation Bonds

The outstanding General Obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2009</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2010</u>
1988	2021	5.00-5.50	\$ 1,500,000	\$ 1,000,000	\$ 60,000	\$ 940,000
1996	2010	5.00-5.25	\$ 1,315,000	<u>130,000</u>	<u>130,000</u>	<u> </u>
Total				<u><u>\$ 1,130,000</u></u>	<u><u>\$ 190,000</u></u>	<u><u>\$ 940,000</u></u>

A - 1988 Series B General Obligation Bonds

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

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

<u>Year Ending June 30,</u>	<u>Payments</u>
2011	\$ 114,862
2012	111,385
2013	112,705
2014	113,718
2015	114,415
2016-2020	573,312
2021	<u>119,075</u>
	1,259,472
Less amount representing interest	<u>(319,472)</u>
Present value of net payments	<u><u>\$ 940,000</u></u>

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs)

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

On April 19, 2010, the District issued \$4,395,000 in Certificates of Participation for the advance refunding and defeasance of the 2001 Certificates of Participation and the 2003A Taxable Certificates of Participation. Interest is payable on the Certifications each May and November 1, commencing November 1, 2010. Principal payments on the Certificates will be due on May 1, commencing on May 1, 2016.

A - 2003B Certificates of Participation Issuance

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

Year Ending June 30,	Payments
2011	\$ 174,360
2012	170,068
2013	170,775
2014	171,230
2015	170,482
2016-2020	858,494
2021-2023	516,568
	2,231,977
Less amount representing interest	(711,977)
Present value of net payments	\$ 1,520,000

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs) (Continued)

B - 2010 Refunding Certificates of Participation Issuance

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

Year Ending June 30,	Payments
2011	\$ 209,099
2012	208,520
2013	208,520
2014	208,520
2015	208,520
2016-2020	1,546,035
2021-2025	1,539,940
2026-2030	1,543,000
2031-2035	1,546,250
2036-2040	1,542,000
	8,760,404
Less amount representing interest	(4,365,404)
Present value of net payments	\$ 4,395,000

Qualified Zone Academy Bonds

On May 9, 2001, the District issued \$2,000,000 in Qualified Zone Academy Bonds. The Bonds were issued to finance the installation of technology infrastructure and related service upgrades and to facilitate the modernization and equipping of the K-8 Magnet School Academy located at Salida Elementary School. Interest is not payable with the bonds. In lieu of receiving periodic interest payments, eligible holders of the Bonds are allowed an annual federal income tax credit equal to the credit rate times the face amount of the Bond. The tax credit rate for the Bonds is 7.08 percent. The District initially deposited \$870,596 in a trustee account that has been invested in an AIG Guaranteed Investment Contract paying 6.1209 percent. The account balance as of June 30, 2010 is \$1,511,516. The interest earnings on the deposit have been projected to be sufficient to cover the entire maturing principal balance at May 23, 2015. Should the District determine at any time that the full principal amount would not be covered, the District will be liable to make payments to cover the deficiency.

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM LIABILITIES (Continued)

Early Retirement Incentive Plan

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

Year Ending June 30,	Payments
2011	\$ 124,500
2012	117,500
2013	92,500
2014	92,500
2015	92,500
	\$ 519,500

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds:					
1998B	\$ 1,000,000		\$ 60,000	\$ 940,000	\$ 65,000
1996 Refunding	130,000		130,000		
Certificates of Participation	6,135,000	\$ 4,395,000	4,615,000	5,915,000	85,000
Qualified Zone Academy Bond	2,000,000			2,000,000	
ERIP		551,500	32,000	519,500	124,500
Compensated absences	85,781		19,748	66,033	66,033
	\$ 9,350,781	\$ 4,946,500	\$ 4,856,748	\$ 9,440,533	\$ 340,533

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

6. RESTRICTED NET ASSETS

The restricted net assets as of June 30, 2010 consisted of the following:

	<u>Governmental Activities</u>
Restricted for:	
Revolving cash fund	\$ 10,000
Prepaid expenditures	487,984
Stores inventory	71,521
Unspent categorical program revenues	139,235
Special revenue funds	258,748
Capital projects funds	362,383
Debt repayment	<u>123,537</u>
	<u><u>\$ 1,453,408</u></u>

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$497,272, \$513,522 and \$500,037, respectively, and equal 100% of the required contributions for each year.

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$1,093,227, \$1,058,418 and \$935,706, respectively, and equal 100% of the required contributions for each year.

8. JOINT POWERS AGREEMENT

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

The following is a summary of financial information for CRSIG at June 30, 2009 (the most recent information available):

Total assets	\$ 46,351,927
Total liabilities	\$ 17,034,406
Net assets	\$ 29,317,521
Total revenues	\$ 15,498,714
Total expenses	\$ 14,244,455
Change in net assets	\$ 1,254,259

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

SALIDA UNION SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

9. CONTINGENCIES

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

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

10. SUBSEQUENT EVENT

The District has reviewed all events occurring from June 30, 2010 through January 12, 2011, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 11,658,618	\$ 10,272,967	\$ 10,443,540	\$ 170,573
Local sources	<u>3,276,552</u>	<u>3,620,423</u>	<u>3,359,623</u>	<u>(260,800)</u>
Total revenue limit	<u>14,935,170</u>	<u>13,893,390</u>	<u>13,803,163</u>	<u>(90,227)</u>
Federal sources	2,570,624	2,085,246	1,839,660	(245,586)
Other state sources	4,240,011	3,734,750	4,306,881	572,131
Other local sources	<u>1,489,365</u>	<u>1,697,373</u>	<u>1,897,385</u>	<u>200,012</u>
Total revenues	<u>23,235,170</u>	<u>21,410,759</u>	<u>21,847,089</u>	<u>436,330</u>
Expenditures:				
Certificated salaries	11,334,861	11,280,618	11,014,342	266,276
Classified salaries	4,025,592	3,643,043	3,956,037	(312,994)
Employee benefits	3,329,059	3,078,469	3,222,026	(143,557)
Books and supplies	689,741	852,346	693,571	158,775
Contract services and operating expenditures	3,544,018	4,004,369	3,688,758	315,611
Capital outlay	8,737	105,368	5	105,363
Other outgo	<u>419,399</u>	<u>523,676</u>	<u>390,501</u>	<u>133,175</u>
Total expenditures	<u>23,351,407</u>	<u>23,487,889</u>	<u>22,965,240</u>	<u>522,649</u>
Deficiency of revenues under expenditures	<u>(116,237)</u>	<u>(2,077,130)</u>	<u>(1,118,151)</u>	<u>958,979</u>
Other financing sources (uses):				
Operating transfers in	92,896	1,652,896	1,473,188	(179,708)
Operating transfers out	<u>(300,000)</u>	<u>(118,668)</u>	<u>(118,668)</u>	<u></u>
Total other financing sources (uses)	<u>(207,104)</u>	<u>1,534,228</u>	<u>1,354,520</u>	<u>(179,708)</u>
Net change in fund balance	(323,341)	(542,902)	236,369	779,271
Fund balance, July 1, 2009	<u>1,568,096</u>	<u>\$ 1,568,096</u>	<u>1,122,953</u>	<u>(445,143)</u>
Fund balance, June 30, 2010	<u>\$ 1,244,755</u>	<u>\$ 1,025,194</u>	<u>\$ 1,359,322</u>	<u>\$ 334,128</u>

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

SUPPLEMENTARY INFORMATION

SALIDA UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	<u>Charter School Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve for Other Than Capital Projects Fund</u>	<u>Subtotal</u>
ASSETS						
Cash in County Treasury	\$ 12,035	\$ 1		\$ 118,729	\$ 3,348	\$ 134,113
Cash on hand and in banks			\$ 500			500
Accounts receivable	67,448	316,037	300,694			684,179
Due from other funds	95,746			10,620	15,906	122,272
Stores inventory			<u>71,521</u>			<u>71,521</u>
Total assets	<u>\$ 175,229</u>	<u>\$ 316,038</u>	<u>\$ 372,715</u>	<u>\$ 129,349</u>	<u>\$ 19,254</u>	<u>\$ 1,012,585</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 69,894	\$ 94,314	\$ 34,128	\$ 245		\$ 198,581
Due to other funds	<u>12,345</u>	<u>205,122</u>	<u>266,268</u>			<u>483,735</u>
Total liabilities	82,239	<u>299,436</u>	<u>300,396</u>	<u>245</u>		<u>682,316</u>
Fund balances	<u>92,990</u>	<u>16,602</u>	<u>72,319</u>	<u>129,104</u>	\$ 19,254	<u>330,269</u>
Total liabilities and fund balances	<u>\$ 175,229</u>	<u>\$ 316,038</u>	<u>\$ 372,715</u>	<u>\$ 129,349</u>	<u>\$ 19,254</u>	<u>\$ 1,012,585</u>

(Continued)

SALIDA UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

(Continued)

June 30, 2010

	<u>Foundation Special Reserve Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Mello-Roos Capital Project Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total</u>
ASSETS							
Cash in County Treasury	\$ 1	\$ 622	\$ 165	\$ 103	\$ 263,640	\$ 200,779	\$ 599,423
Cash on hand and in banks							500
Accounts receivable		1					684,180
Due from other funds	5,557		59,202	29,752			216,783
Stores inventory							<u>71,521</u>
Total assets	<u>\$ 5,558</u>	<u>\$ 623</u>	<u>\$ 59,367</u>	<u>\$ 29,855</u>	<u>\$ 263,640</u>	<u>\$ 200,779</u>	<u>\$ 1,572,407</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable						\$ 77,242	\$ 275,823
Due to other funds	<u>\$ 5,558</u>	<u>\$ 355</u>					<u>489,648</u>
Total liabilities	<u>5,558</u>	<u>355</u>				<u>77,242</u>	<u>765,471</u>
Fund balances		<u>268</u>	<u>\$ 59,367</u>	<u>\$ 29,855</u>	<u>\$ 263,640</u>	<u>123,537</u>	<u>806,936</u>
Total liabilities and fund balances	<u>\$ 5,558</u>	<u>\$ 623</u>	<u>\$ 59,367</u>	<u>\$ 29,855</u>	<u>\$ 263,640</u>	<u>\$ 200,779</u>	<u>\$ 1,572,407</u>

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

SALIDA UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2010

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other Than Capital Projects Fund	Subtotal
Revenues:						
Federal sources		\$ 15,832	\$ 1,351,625			\$ 1,367,457
Other state sources	\$ 107,607	341,267	149,447			598,321
Other local sources	<u>1,037</u>	<u>1,097,823</u>	<u>697,364</u>	<u>\$ 451</u>	<u>\$ 14,690</u>	<u>1,811,365</u>
Total revenues	<u>108,644</u>	<u>1,454,922</u>	<u>2,198,436</u>	<u>451</u>	<u>14,690</u>	<u>3,777,143</u>
Expenditures:						
Certificated salaries	11,802	575,316				587,118
Classified salaries		457,998	799,633			1,257,631
Employee benefits	2,883	262,564	187,608			453,055
Books and supplies		54,071	944,427	36,163		1,034,661
Contract services and operating expenditures	969	96,544	53,856	36,327		187,696
Capital outlay			57,757			57,757
Debt service:						
Principal retirement						
Interest						
Total expenditures	<u>15,654</u>	<u>1,446,493</u>	<u>2,043,281</u>	<u>72,490</u>		<u>3,577,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>92,990</u>	<u>8,429</u>	<u>155,155</u>	<u>(72,039)</u>	<u>14,690</u>	<u>199,225</u>
Other financing sources (uses):						
Operating transfers in				118,668		118,668
Operating transfers out			<u>(170,503)</u>		<u>(960,000)</u>	<u>(1,130,503)</u>
Total other financing sources (uses)			<u>(170,503)</u>	<u>118,668</u>	<u>(960,000)</u>	<u>(1,011,835)</u>
Net change in fund balances	92,990	8,429	(15,348)	46,629	(945,310)	(812,610)
Fund balances, July 1, 2009	<u> </u>	<u>8,173</u>	<u>87,667</u>	<u>82,475</u>	<u>964,564</u>	<u>1,142,879</u>
Fund balances, June 30, 2010	<u>\$ 92,990</u>	<u>\$ 16,602</u>	<u>\$ 72,319</u>	<u>\$ 129,104</u>	<u>\$ 19,254</u>	<u>\$ 330,269</u>

(Continued)

SALIDA UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

(Continued)

For the Year Ended June 30, 2010

	Foundation Special Reserve Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Mello-Roos Capital Project Fund	Bond Interest and Redemption Fund	Total
Revenues:							
Federal sources							\$ 1,367,457
Other state sources						\$ 2,554	600,875
Other local sources	\$ (81)	\$ (1)	\$ 22,356	\$ 449	\$ 4,412	132,430	1,970,930
Total revenues	<u>(81)</u>	<u>(1)</u>	<u>22,356</u>	<u>449</u>	<u>4,412</u>	<u>134,984</u>	<u>3,939,262</u>
Expenditures:							
Certificated salaries							587,118
Classified salaries							1,257,631
Employee benefits							453,055
Books and supplies							1,034,661
Contract services and operating expenditures	4,851			6,011			198,558
Capital outlay							57,757
Debt service:							
Capital retirement						190,000	190,000
Interest						56,573	56,573
Total expenditures	<u>4,851</u>			<u>6,011</u>		<u>246,573</u>	<u>3,835,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,932)</u>	<u>(1)</u>	<u>22,356</u>	<u>(5,562)</u>	<u>4,412</u>	<u>(111,589)</u>	<u>103,909</u>
Other financing sources (uses):							
Operating transfers in							118,668
Operating transfers out							(2,090,503)
Total other financing sources (uses)							<u>(1,011,835)</u>
Net change in fund balances	(4,932)	(1)	22,356	(5,562)	4,412	(111,589)	(907,926)
Fund balances, July 1, 2009	<u>4,932</u>	<u>269</u>	<u>37,011</u>	<u>35,417</u>	<u>259,228</u>	<u>235,126</u>	<u>1,714,862</u>
Fund balances, June 30, 2010	<u>\$ -</u>	<u>\$ 268</u>	<u>\$ 59,367</u>	<u>\$ 29,855</u>	<u>\$ 263,640</u>	<u>\$ 123,537</u>	<u>\$ 806,936</u>

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

SALIDA UNION SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Dena Boer Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 5,451	\$ 29,894	\$ 25,928	\$ 9,417
Liabilities:				
Due to student groups	\$ 5,451	\$ 29,894	\$ 25,928	\$ 9,417
<u>Mildred Perkins Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 19,695	\$ 10,251	\$ 15,482	\$ 14,464
Liabilities:				
Due to student groups	\$ 19,695	\$ 10,251	\$ 15,482	\$ 14,464
<u>Salida Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 3,121	\$ 13,741	\$ 10,827	\$ 6,035
Liabilities:				
Due to student groups	\$ 3,121	\$ 13,741	\$ 10,827	\$ 6,035
<u>Sisk Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 29,204	\$ 19,278	\$ 14,817	\$ 33,665
Liabilities:				
Due to student groups	\$ 29,204	\$ 19,278	\$ 14,817	\$ 33,665
<u>Salida Middle</u>				
Assets:				
Cash on hand and in banks	\$ 92,832	\$ 227,831	\$ 172,568	\$ 148,095
Liabilities:				
Due to student groups	\$ 92,832	\$ 227,831	\$ 172,568	\$ 148,095

(Continued)

SALIDA UNION SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 150,303	\$ 300,995	\$ 239,622	\$ 211,676
Liabilities:				
Due to student groups	\$ 150,303	\$ 300,995	\$ 239,622	\$ 211,676

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

SALIDA UNION SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

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 and one middle school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ivan Wyeth II	President	2011
Dennis Thompson	Clerk	2011
Catie L. Englebright	Trustee	2013
Dr. Gary Dew	Trustee	2011
Virginia Berry	Trustee	2013

ADMINISTRATION

Twila Tosh
Interim Superintendent

Jim Yardy *
Assistant Superintendent of Business Services

* Mark Denny was appointed subsequent to June 30, 2010.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	310	310
First through Third	863	860
Fourth through Sixth	921	920
Seventh and Eighth	587	598
Special Education	<u>68</u>	<u>69</u>
Totals	<u><u>2,749</u></u>	<u><u>2,757</u></u>

See accompanying notes to
supplementary information.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	33,325	36,000	180	In Compliance
Grade 1	50,400	50,580	51,660	180	In Compliance
Grade 2	50,400	50,580	51,660	180	In Compliance
Grade 3	50,400	50,580	51,660	180	In Compliance
Grade 4	54,000	56,790	58,140	180	In Compliance
Grade 5	54,000	56,790	58,140	180	In Compliance
Grade 6	54,000	56,790	58,948	180	In Compliance
Grade 7	54,000	56,790	58,948	180	In Compliance
Grade 8	54,000	56,790	58,948	180	In Compliance

See accompanying notes to
supplementary information.

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants	14329	\$ 295,120
84.389	NCLB ARRA: Title I, Part A, Basic Grants Low Income and Neglected	15005	<u>34,143</u>
	Subtotal Title I Cluster		<u>329,263</u>
	Special Education Cluster:		
84.027	Special Education - IDEA Basic Local Assistance	13379	442,145
84.391	Special Education - ARRA: IDEA Basic Local Assistance	15003	<u>372,943</u>
	Subtotal Special Education Cluster		<u>815,088</u>
84.213	Title I - Even Start	14331	115,444
84.367	Title II, Part A, Improving Teacher Quality	14341	86,058
84.318	Title II, Education Technology	14334	447
84.365	Title III, Immigrant Education	14346	7,424
84.365	Title III, LEP	10084	43,299
84.287	Title IV, 21st Century CCLC	14349	110,303
84.287	Title IV, 21st Century Direct Access	14765	10,051
84.287	Title IV, 21st Century Family Literacy	14788	8,798
84.394	ARRA: State Fiscal Stabilization	25008	<u>309,286</u>
	Total U.S. Department of Education		<u>1,835,461</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Development - School Age Resource Contacts	13941	<u>15,832</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: National School Lunch	13391	1,322,015
10.579	Child Nutrition: ARRA Equipment Assistance Grants	13004	<u>29,610</u>
	Total U.S. Department of Agriculture		<u>1,351,625</u>
	Total Federal		<u>\$ 3,202,918</u>

See accompanying notes to supplementary information.

SALIDA UNION SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

	General Fund	Special Reserve for Capital Projects Fund	County School Facilities Fund
June 30, 2010 Unaudited Actual Financial Report Ending Fund Balance	<u>\$ 1,359,055</u>	<u>\$ 218,683</u>	<u>\$ 35,866</u>
Adjustments:			
To remove negative revenue	267		
To record Cash with Fiscal Agent		1,518,979	
To adjust cash to the fair value	<u> </u>	<u> </u>	<u>(6,011)</u>
Total adjustments	<u>267</u>	<u>1,518,979</u>	<u>(6,011)</u>
June 30, 2010 Audited Financial Statements Ending Fund Balance	<u><u>\$ 1,359,322</u></u>	<u><u>\$ 1,737,662</u></u>	<u><u>\$ 29,855</u></u>

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

See accompanying notes to
supplementary information.

AUBURN UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2010

	<u>(Budget)</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 19,389,422	\$ 23,320,277	\$ 25,936,630	\$ 26,935,416
Expenditures	19,830,764	22,965,240	26,650,229	27,841,093
Other uses and transfers out	<u> </u>	<u>118,668</u>	<u>111,804</u>	<u>157,118</u>
Total outgo	<u>19,830,764</u>	<u>23,083,908</u>	<u>26,762,033</u>	<u>27,998,211</u>
Change in fund balance	\$ <u>(441,342)</u>	\$ <u>236,369</u>	\$ <u>(825,403)</u>	\$ <u>(1,062,795)</u>
Ending fund balance	\$ <u>1,122,953</u>	\$ <u>1,359,322</u>	\$ <u>1,122,953</u>	\$ <u>1,948,356</u>
Available reserves	\$ <u>917,713</u>	\$ <u>1,209,820</u>	\$ <u>1,727,529</u>	\$ <u>1,479,851</u>
Designated for economic uncertainties	\$ <u>594,923</u>	\$ <u>688,266</u>	\$ <u>-</u>	\$ <u>-</u>
Undesignated fund balance	\$ <u>322,790</u>	\$ <u>521,554</u>	\$ <u>1,727,529</u>	\$ <u>1,479,851</u>
Available reserves as a percentage of total outgo	<u>4.63%</u>	<u>5.24%</u>	<u>6.46%</u>	<u>5.29%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>9,100,000</u>	\$ <u>9,440,533</u>	\$ <u>9,350,781</u>	\$ <u>9,791,215</u>
Average daily attendance at P-2	<u>2,655</u>	<u>2,749</u>	<u>2,858</u>	<u>3,003</u>

The General Fund fund balance has decreased by \$1,651,829 over the past three fiscal years. The District projects an decrease of \$441,342 for the year ending June 30, 2011. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2010 the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2010-2011 fiscal year.

Total long-term liabilities have decreased by \$350,682 over the past two years.

Average daily attendance has decreased by 254 over the past two years. The District anticipates a decrease of 94 ADA during the fiscal year ending June 30, 2010.

See accompanying notes to
supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2010

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

See accompanying notes to
supplementary information.

SALIDA UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 3,207,117
Less: 21st Century Funds not spent	84.287	<u>(4,199)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,202,918</u>

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

SALIDA UNION SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2010-2011 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2010, the District did not adopt such a program.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Board of Trustees
Salida Union School District
Salida, California

We have audited the compliance of Salida Union School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2010. Compliance with the requirements of state laws and regulations is the responsibility of Salida Union School District's management. Our responsibility is to express an opinion on Salida Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Salida Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salida Union School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance, for charter schools	1	No, see below
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom Based, for charter schools	3	No, see below

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

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

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

The 2009-2010 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2010. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards.

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

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

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

In our opinion, Salida Union School District complied with the state laws and regulations referred to above for the year ended June 30, 2010, except as described in the Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Salida Union School District had not complied with the state laws and regulations.

Salida Union School District's response to the finding identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

(Continued)

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

Perry-Smith LLP

Sacramento, California
January 12, 2011

**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**

Board of Trustees
Salida Union School District
Salida, California

We have audited the financial statements of Salida Union School District as of and for the year ended June 30, 2010, and have issued our report thereon dated January 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

**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**

(Continued)

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

Perry Smith UP

Sacramento, California
January 12, 2011

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

Board of Trustees
Salida Union School District
Salida, California

Compliance

We have audited the compliance of Salida Union School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Salida Union School District's major federal programs are identified in the accompanying Schedule of Expenditure of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Salida Union School District's management. Our responsibility is to express an opinion on Salida Union School District's compliance based on our audit.

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

In our opinion, Salida Union School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Salida Union School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Salida Union School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salida Union School District's internal control over compliance.

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

(Continued)

Internal Control Over Compliance (Continued)

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

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

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

Perry-Smith LLP

Sacramento, California
January 12, 2011

FINDINGS AND RECOMMENDATIONS

SALIDA UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
 noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be
 reported in accordance with Circular A-133,
 Section .510(a)? _____ Yes X No

Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
84.010, 84.389	Title I Cluster
84.027, 84.391	Special Education Cluster
84.394	ARRA: State Fiscal Stabilization Fund
10.555	Child Nutrition

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

Auditee qualified as low-risk auditee? _____ Yes X No

STATE AWARDS

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for
 state programs: Qualified

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At Mildred Perkins Elementary School:

- Sub-receipt books are not used upon the initial receipt of cash.
- Cash disbursements are not being approved by the ASB student council member, the Advisor, and the Principal.
- A cash disbursement was processed and cleared the bank prior to approval of the disbursement in the Student Council Minutes.

At Sisk Elementary School:

- A cash disbursement was processed and cleared the bank prior to approval of the disbursement in the Student Council Minutes.

Effect

There exists the risk that ASB funds could potentially be misappropriated.

Cause

The internal controls have not been implemented.

Fiscal Impact

Not determinable.

Recommendation

- Sub-receipt books should be used for all sales and initial collection of cash.
- Cash disbursements should be properly authorized by three individuals prior to writing a check. The individuals approving the disbursement should be the Student Council Representative, Advisor, and the Principal.
- Cash disbursements should be approved in the Student Council Minutes prior to issuance of the disbursement checks to the intended party.

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

1. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Corrective Action Plan

The District will provide instruction to all school site personnel associated with ASB operations - to include the following:

- Requirement to issue receipts for all cash receipts.
- Appropriate control measures for all fund raiser activities.
- Expenditure approval and processing procedures - including documentation of approval in ASB organization meeting minutes, required signatures, and the need for appropriate approval requirements prior to expenditures.

The District will also implement an internal assistance review program to ensure training and compliance with established procedures.

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2. STATE COMPLIANCE - NONCLASSROOM-BASED INSTRUCTION (10000)

Criteria

Pursuant to Education Code Section 51747 - A school district shall not be eligible to receive apportionments for independent study by pupils, regardless of age, unless it has adopted written policies, and has implemented those policies.

Condition

- The Second Period Report of Attendance and the Annual Report of Attendance reports submitted do not agree to the supporting documentation.
- Student files do not contain each pupil's county of residence nor do they contain support as to whether mailing addresses changed during the time the pupils were in independent study. This did not allow for verification that the pupil remained a resident of the same or a contiguous county within California.
- A written agreement did not exist for each pupil.
- Student files did not contain support to verify no days of attendance were reported for dates prior to the signing of the agreement by all parties.

Written agreement did not contain the following:

- The manner, time, frequency, and place for submitting a pupil's assignment and for reporting purposes.
- The objectives and methods of study for the pupil's work.
- The methods utilized to evaluate that work.
- The specific resources, including materials and personnel, to be made available to the pupils.
- A statement of the policies adopted pursuant to the provisions of subdivisions (a) and (b) of Education Code Section 51747 regarding the maximum length of time allowed between the assignment and the completion of a pupil's assigned work, and the number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interest to continue in independent study.
- The duration of the independent study agreement.
- A statement of the number of course credits or, for the elementary grades, such as other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion.
- A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate.
- Signatures by the pupil and certificated employee.

Effect

The effect of the findings is a disallowed allowance of 14.27 ADA for the Second Period Report of Attendance 16.78 ADA for the Annual Report of Attendance.

SALIDA UNION SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

2. STATE COMPLIANCE - NONCLASSROOM-BASED INSTRUCTION (10000)
(Continued)

Cause

Internal controls over state compliance requirements have not been properly implemented.

Fiscal Impact

The total amount received for the Charter School Block Grant was \$87,035.

Recommendation

The District should adopt an official written agreement that meets the State requirements for independent study.

The District should ensure controls are in place to verify the support for ADA agrees to the information being reported on the Second Period Report of Attendance and the Annual Report of Attendance report.

Corrective Action Plan

The District has implemented for the 2010/11 school year a process that includes the following:

- Corrected Student Independent Study contract that conforms with the criteria as established in Education Code 51747.
- Internal procedures that ensure that all student contracts are in place and complete prior to recording attendance.
- Fully compliant tracking of all homework samples and instructor verification.
- Internal review to ensure compliance with the established procedures.
- Attendance reporting procedures that ensure attendance is verified prior to Period 1, Period 2, or Annual attendance reporting.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SALIDA UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2010

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