

**SALINAS CITY ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2013

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Salinas City Elementary School District  
Salinas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **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 the Salinas City Elementary School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14, budgetary comparison information and postemployment benefits information on pages 55 and 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salinas City Elementary School District's basic financial statements. The supplementary information, such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

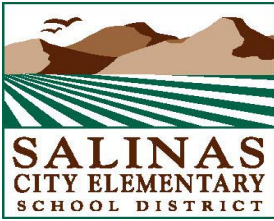
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the Salinas City Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas City Elementary School District's internal control over financial reporting and compliance.

*Vannink, Truini, Day & Co., LLP*

Fresno, California  
December 12, 2013



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of Salinas City Elementary School District is to provide a quality education, qualified educators and a collaborative environment where students are challenged and encouraged to excel. The District is located in the community of Salinas in Monterey County. This community, located 110 miles south of San Francisco and 16 miles east of Monterey, is a predominantly agricultural community and includes a large migrant population. The District served 8,807 students in 2012-2013.

The District operated 13 elementary schools in 2012-2013 and serves under a locally elected five member Board of Education. The District is designated as a Program Improvement District and provides academic performance improvement for grades K-6 through multiple state and federal educational programs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Salinas City Elementary School District.

#### ADMINISTRATION

DONNA ALONZO VAUGHAN, Ph.D.  
Superintendent

GERALD STRATTON  
Assistant Superintendent  
Business Services

JUVENAL LUZA, Ph.D.  
Assistant Superintendent  
Educational Services

MARY PRITCHARD  
Director, Bilingual-Migrant-Early  
Childhood Education Services

PAT WILLINGHAM  
Director, Personnel Services

TERRY RYAN  
Director, Maintenance, Operations,  
Transportation & Food Services

TERRI DYE  
Interim Director, Pupil Personnel Services  
& Special Education

#### BOARD OF EDUCATION

ROBERTO GARCIA  
Trustee Area 1

NATHAN LARISON  
Trustee Area 2

ROBERT FOSTER HOFFMAN  
Trustee Area 3

DANIEL LEE  
Trustee Area 4

GENARO CARLOS  
Trustee Area 5

840 South Main Street  
Salinas CA 93901  
Phone (831) 753-5600  
Fax (831) 753-5610

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

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

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

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

**Governmental Activities** - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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



# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

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

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$50.3 million for the fiscal year ended June 30, 2013. Of this amount, \$8.5 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

Table 1

(Amounts in millions)

	Governmental Activities		
	2013	2012	Difference
<b>Assets</b>			
Current and other assets	\$ 39.9	\$ 37.0	\$ 2.9
Capital assets	71.7	71.5	0.2
<b>Total Assets</b>	<b>111.6</b>	<b>108.5</b>	<b>3.1</b>
<b>Liabilities</b>			
Current liabilities	17.0	15.0	2.0
Long-term obligations	44.3	36.8	7.5
<b>Total Liabilities</b>	<b>61.3</b>	<b>51.8</b>	<b>9.5</b>
<b>Net Position</b>			
Net investment in capital assets	34.0	39.6	(5.6)
Restricted	7.8	5.9	1.9
Unrestricted	8.5	11.3	(2.8)
<b>Total Net Position</b>	<b>\$ 50.3</b>	<b>\$ 56.8</b>	<b>\$ (6.5)</b>

The \$8.5 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 25 percent (\$8.5 million compared to \$11.3 million).

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

### Changes in Net Position

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

Table 2

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.4	\$ 0.4	\$ -
Operating grants and contributions	21.1	20.3	0.8
General revenues:			
Federal and State aid not restricted	37.0	37.4	(0.4)
Property taxes	16.0	14.3	1.7
Other general revenues	1.7	1.2	0.5
<b>Total Revenues</b>	<u>76.2</u>	<u>73.6</u>	<u>2.6</u>
<b>Expenses</b>			
Instruction related	54.9	53.4	1.5
Student support services	9.4	8.3	1.1
Administration	3.5	2.8	0.7
Plant services	6.6	9.8	(3.2)
Other	8.3	9.3	(1.0)
<b>Total Expenses</b>	<u>82.7</u>	<u>83.6</u>	<u>(0.9)</u>
<b>Change in Net Position</b>	<u>\$ (6.5)</u>	<u>\$ (10.0)</u>	<u>\$ 3.5</u>

### Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$82.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16.0 million because the cost was paid by those who benefited from the programs (\$0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$21.1 million). We paid for the remaining "public benefit" portion of our governmental activities with, \$38.7 million in State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, student support services, administration and plant services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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Table 3

(Dollar amounts in millions)

	Net Cost of Services	
	2013	2012
Instruction related	\$ 42.7	\$ 40.6
Student support services	3.4	3.5
Administration	3.1	2.1
Plant services	6.6	9.7
Other	5.4	7.0
<b>Total</b>	<b>\$ 61.2</b>	<b>\$ 62.9</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$16 million, which is a decrease of \$0.4 million from last year (Table 4).

Table 4

(Amounts in millions)

	Balances and Activity		
	2013	2012	Difference
General	\$ 6.3	\$ 8.3	\$ (2.0)
Building	4.7	3.9	0.8
Nonmajor Funds	5.0	4.2	0.8
<b>Total</b>	<b>\$ 16.0</b>	<b>\$ 16.4</b>	<b>\$ (0.4)</b>

The primary reasons for these increases/decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased \$2.0 million to \$6.3 million. This decrease is due to:
  - 1. Increased salaries and benefits
  - 2. Decreased State revenue and increases in Special Education costs
- b. The capital outlay funds increased approximately \$1.4 million primarily due to capital project funding being received.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it deals with regular budget execution and unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 9, 2013 (2012-2013 Unaudited Actuals). A schedule showing the General Fund original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

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The District originally projected a decrease in the General Fund of approximately \$2.4 million. Although revenues were \$3.0 million more than expected, expenditures were \$2.6 million more than originally projected, resulting in a decrease to the General Fund of approximately \$2.0 million. Salaries and fringe benefit expenditures were \$4.6 million more than originally expected due to the required addition of personnel.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had \$71.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$0.2 million, or 0.3 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
Land	\$ 7.5	\$ 7.5	\$ -
Construction in progress	5.3	0.1	5.2
Buildings and improvements	58.6	63.5	(4.9)
Equipment	0.3	0.4	(0.1)
<b>Total</b>	<b>\$ 71.7</b>	<b>\$ 71.5</b>	<b>\$ 0.2</b>

This year's major additions related to the District's solar project.

Several capital projects are planned for the 2013-2014 year including security enhancements to four school front access entry points. We present more detailed information about our capital assets in the Notes to Financial Statements.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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### Long-Term Obligations

At the end of this year, the District had \$44.3 million in long term obligations versus \$36.9 million last year, an increase of \$7.4 million or 20 percent. Those long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
General obligation bonds	\$ 24.6	\$ 24.7	\$ (0.1)
Certificates of participation	17.7	11.0	6.7
Compensated absences	0.3	0.2	0.1
State preschool loan	0.1	0.1	-
Other postemployment benefits	1.6	0.9	0.7
<b>Total</b>	<b>\$ 44.3</b>	<b>\$ 36.9</b>	<b>\$ 7.4</b>

The District's S&P general obligation bond rating continues to be "AAA/A-." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$24.6 million is below the statutorily-imposed limit. We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

### FINANCIAL STATUS OF DISTRICT AND NEXT YEAR'S BUDGET

The District has made a steady course of continuous improvement in academic achievement, improving our facilities and meeting the priorities of the Board of Education and the community. The 2012-2013 fiscal year closed with an additional Board supported reserve of almost two percent above the State mandated three percent. The Adopted Budget was submitted to the Monterey County Office of Education with a positive certification that the District would be able to meet its current and two subsequent fiscal year financial obligations.

For the first time in several years the District is not faced with significant budget reductions, the threat of mid-year reductions, or increases to both deferrals and the evil "deficit factor". Additionally, the District is in year one of a projected eight-year implementation of the Local Control Funding Formula, or LCFF. Although initial plus-up funding is offset by losses in EIA funds, current projections reflect a fiscally stable and positive upward glide path of revenues for the duration of this implementation. The great majority of additional funding projected will be closely controlled by the LCAP and targeted to ELL, low-income and foster youth. Additionally, the LCFF mandates a class size reduction in grades K-3 to a goal of 24 students per class. This comes with some funding, but the District will need to absorb costs above those projected for this reduction, and will likely achieve the target goal far ahead of the eight-year period.

For 2013-2014 District successfully negotiated caps on medical benefits with the two major bargaining units, SETC and CSEA. Although this cap continues to reflect very generous and high District contributions, it also transfers some current costs and future increases to employees, thus significantly improving budget development and the restoration of both reserves and some staffing reductions.

# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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### **General Obligation Bonds**

The District placed an \$80 million Bond Measure T on the ballot for the June 3, 2008 election. Voters passed Measure T with 63.90 percent approval. This Measure authorizes district borrowing, when funding capacity allows, up to \$80 million for capital construction and facility improvements.

The Board authorized the issuance of the first series of bonds in October of 2008. This issuance was in an aggregate principal amount not to exceed \$25 million (\$25,000,000) (the "Bonds"). This issuance was comprised of tax-free Series A Bonds of \$21,565,000 and taxable Series B Bonds of \$3,435,000. These Bonds are the first series of bonds issued under the \$80 million voter-approved authorization.

As per Education Code 15146, the proceeds of the sale of bonds, exclusive of premium received were deposited in the county treasury to the credit of the school district's building fund. The proceeds deposited are drawn out as in the same manner as other school moneys are drawn out. The bond proceeds withdrawn are not applied to any purposes other than those for which the bonds were authorized and issued.

The Series A and B Bonds were issued to (a) finance the acquisition, construction and improvement of certain public school facilities for the District, (b) prepay certain outstanding Certificates of Participation (COP's) of the District and (c) fund a Reserve Fund for the Series A and B Bonds and (d) pay certain costs of issuance of the Series A and B Bonds.

Under Education Code Section 15278, et seq., as put into place pursuant to AB 1908 (Proposition 39 bond elections), the District met the requirement to establish a Citizen's Oversight Committee, the purpose of which is to inform the public about the expenditures of the bond proceeds. The Committee was formed according to the law and has met with the District Administration. The Committee has received full cooperation and was provided with detailed expenditure reports and appropriate financial audit reports.

The District has expended all of the bond funds of the initial issuance. In 2009-2010, \$15 million was used to pay off prior COP's and the district completed three significant capital improvement projects. At Kammann School, Loma Vista School and Mission Park School, the district constructed safety enhancements resulting in on-site parking improvements, relocation of school admin offices (Mission Park) and a new roof at Sherwood School. In 2010-2011 bond-funded capital improvements included 15 new classrooms and student restrooms at Los Padres School, a targeted modernization of El Gabilan School including new parking lots, modernized kinder classrooms and playground, and the relocation of the school's administrative office. In addition, at all sites, all doors in all buildings were retrofitted with locking hardware that meets the standards for safe schools. The District's access controlled perimeter fencing and gates project was also initiated across all project sites.

# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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### **Certificates of Participation - QSCB**

The District borrowed \$11 million under California Department of Education's Qualified School Construction Bond (QSCB) program in 2010-2011. This program was an extension of the U.S. government's economic stimulus program related to the serious recession of 2008-2010. The District issued COP's as the method to access the program funding. Repayment of the principal component of QSCB funds, in accordance with the COP's offering document, is scheduled to start in 2023, with biennial payments \$2.5 million until the final payment on July 1, 2027. Per the official COP bond instrument, the District is required to make two biannual lease payments of \$299,200 to the Trustee (Bank of New York Mellon) equal to the semi-annual accrued interest on the COP's. The Trustee (Bank of New York Mellon) then reimburses the District by the amount equal to the direct subsidy payment received by the Trustee from the US Treasury. It is anticipated that in future years, due to the federal government's sequester reduction, as required by the Balanced Budget and Emergency Deficit Control Act, the Trustee will receive direct subsidy interest payments that will be less than the \$598,400 of annual accrued interest/lease payments. The district will budget and pay the biannual lease payments, per the COP bond documents and budget the anticipated reimbursement equal to the amount of the direct subsidy paid by the U.S. Treasury to the Trustee.

The QSCB funds were spent in accordance with the statutory requirements that included expending ten percent of the bond proceeds within the first 6 months of issuance and all funds expended by July 2013. The District met both requirements: the initial expenditure was affected by way of constructing electronic message style school signs and paying costs related to the planning/designing of major QSCB projects. The major projects included Monterey Park School's site safety project: off-street parking and student drop off zones, relocation of the school administration office to the front entrance of the school and construction of the district's standard scope for perimeter security/access control. This project was completed in 2011. The final major project to use QSCB Funds was the design and construction of the Los Padres Joint Use Multi-Purpose Room. This project was completed in August of 2013 during which all of the remaining QSCB funds were expended prior to the July 22, 2013 deadline.

### **Certificates of Participation - Solar Energy Generation**

During the 2012-2013 fiscal year, at the direction of the Board of Trustees, the District administration started the planning, financing, design and construction of the District's \$1.5 million solar energy generation and lighting retrofit project. This project included funding from the California Solar Initiative Program and renewable energy credits of \$661,500 and a District COP's bond of \$6.723 million. Repayment of the COP's bond is established as quarterly payments, starting in February 2014 and terminating in November of 2030. The source of the District's quarterly COP bond payments is the forecasted avoided electrical utility payments. This financial schedule includes a forecasted fixed annual net savings of \$52,600 between the bond payment and the avoided electrical utility payment.

## **THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances, and to demonstrate the District's fiscal accountability for the money it receives. Should you have questions about this report or need additional financial information, please contact the Assistant Superintendent of Business Services at 831-784-2225.



# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2013

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 26,456,732
Receivables	11,045,944
Deferred charges	2,385,224
Stores inventories	42,694
Nondepreciable capital assets	12,791,656
Capital assets being depreciated	110,701,874
Accumulated depreciation	(51,838,863)
<b>Total Assets</b>	<b>111,585,261</b>
<b>LIABILITIES</b>	
Overdrafts	19,251
Accounts payable	7,452,351
Current loans	9,536,465
Current portion of long-term obligations	309,659
Noncurrent portion of long-term obligations	43,992,941
<b>Total Liabilities</b>	<b>61,310,667</b>
<b>NET POSITION</b>	
Net investment in capital assets	33,963,955
Restricted for:	
Debt service	1,904,303
Capital projects	2,111,541
Educational programs	2,917,201
Other activities	905,402
Unrestricted	8,472,192
<b>Total Net Position</b>	<b>\$ 50,274,594</b>

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>
<b>Governmental Activities:</b>			
Instruction	\$ 46,457,801	\$ 17,351	\$ 8,408,147
Instruction-related activities:			
Supervision of instruction	3,064,336	14	2,260,448
Instructional library, media, and technology	243,393	-	120,249
School site administration	5,076,181	977	1,321,539
Pupil services:			
Home-to-school transportation	2,246,391	-	447,906
Food services	5,126,800	322,808	4,348,028
All other pupil services	2,119,345	4,034	1,028,536
Administration:			
Data processing	220,012	-	-
All other administration	3,336,948	12,501	472,492
Plant services	6,620,213	-	23,184
Ancillary services	3,046	-	322
Community services	370	-	-
Enterprise services	453,223	-	890,659
Interest on long-term obligations	2,094,526	-	-
Other outgo	5,652,421	-	1,794,570
<b>Total Governmental Activities</b>	<b>\$ 82,715,006</b>	<b>\$ 357,685</b>	<b>\$ 21,116,080</b>

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

**Subtotal, General Revenues**

**Change in Net Position**

- Net Position - Beginning
- Net Position - Ending

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

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

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**Governmental  
Activities**

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\$ (38,032,303)

(803,874)

(123,144)

(3,753,665)

(1,798,485)

(455,964)

(1,086,775)

(220,012)

(2,851,955)

(6,597,029)

(2,724)

(370)

437,436

(2,094,526)

(3,857,851)

(61,241,241)

14,044,884

1,782,907

204,302

36,976,769

41,721

1,699,279

54,749,862

(6,491,379)

56,765,973

\$ 50,274,594

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 10,000,971	\$ 7,146,634	\$ 4,948,813
Receivables	10,611,452	28	323,299
Due from other funds	1,231	-	5,097
Stores inventories	-	-	42,694
<b>Total Assets</b>	<b>\$ 20,613,654</b>	<b>\$ 7,146,662</b>	<b>\$ 5,319,903</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ -	\$ -	\$ 19,251
Accounts payable	4,727,821	2,459,808	264,722
Due to other funds	5,097	-	1,231
Current loans	9,536,465	-	-
<b>Total Liabilities</b>	<b>14,269,383</b>	<b>2,459,808</b>	<b>285,204</b>
<b>Fund Balances:</b>			
Nonspendable	5,003	-	42,694
Restricted	2,834,013	4,686,854	4,961,740
Committed	-	-	3,066
Assigned	881,305	-	27,199
Unassigned	2,623,950	-	-
<b>Total Fund Balances</b>	<b>6,344,271</b>	<b>4,686,854</b>	<b>5,034,699</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,613,654</b>	<b>\$ 7,146,662</b>	<b>\$ 5,319,903</b>

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

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**Total  
Governmental  
Funds**

\$	22,096,418
	10,934,779
	6,328
	42,694
<u>\$</u>	<u>33,080,219</u>

\$	19,251
	7,452,351
	6,328
	9,536,465
<u>\$</u>	<u>17,014,395</u>

	47,697
	12,482,607
	3,066
	908,504
	2,623,950
<u>\$</u>	<u>16,065,824</u>

<u>\$</u>	<u>33,080,219</u>
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**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 16,065,824</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 123,493,530	
Accumulated depreciation is	(51,838,863)	
Net Capital Assets		71,654,667
Expenditures relating to issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis. The balance to amortize is reported on the Statement of Net Position as deferred charges.		2,385,224
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets excluding the balance of other postemployment benefits, are:		4,471,479
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	24,560,000	
Certificates of participation	17,723,066	
Compensated absences	313,107	
State preschool loan	94,500	
Other postemployment benefits	1,611,927	
Total Long-Term Obligations		(44,302,600)
<b>Total Net Position - Governmental Activities</b>		<b>\$ 50,274,594</b>

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>		
Revenue limit sources	\$ 41,683,318	\$ -
Federal sources	5,145,265	-
Other State sources	14,962,323	-
Other local sources	4,456,331	184
<b>Total Revenues</b>	<b>66,247,237</b>	<b>184</b>
<b>EXPENDITURES</b>		
Current		
Instruction	42,359,772	-
Instruction-related activities:		
Supervision of instruction	3,043,670	-
Instructional library, media and technology	242,130	-
School site administration	4,666,136	-
Pupil services:		
Home-to-school transportation	1,713,498	-
Food services	63	-
All other pupil services	1,757,942	-
Administration:		
Data processing	210,276	-
All other administration	2,850,875	-
Plant services	5,862,393	44,224
Facility acquisition and construction	41,250	5,655,373
Ancillary services	1,827	-
Other outgo	5,652,421	-
Enterprise services	125,338	-
Debt service		
Principal	-	-
Interest and other	-	104,033
<b>Total Expenditures</b>	<b>68,527,591</b>	<b>5,803,630</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,280,354)</b>	<b>(5,803,446)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	303,219	-
Other sources	-	6,723,066
Transfers out	(45,244)	(104,470)
<b>Net Financing Sources (Uses)</b>	<b>257,975</b>	<b>6,618,596</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,022,379)</b>	<b>815,150</b>
<b>Fund Balance - Beginning</b>	<b>8,366,650</b>	<b>3,871,704</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,344,271</b>	<b>\$ 4,686,854</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 41,683,318
4,816,972	9,962,237
2,504,407	17,466,730
2,655,877	7,112,392
<u>9,977,256</u>	<u>76,224,677</u>
834,608	43,194,380
681	3,044,351
-	242,130
47,190	4,713,326
-	1,713,498
4,532,280	4,532,343
194,897	1,952,839
-	210,276
206,542	3,057,417
49,345	5,955,962
652,253	6,348,876
-	1,827
-	5,652,421
327,885	453,223
145,500	145,500
1,999,213	2,103,246
<u>8,990,394</u>	<u>83,321,615</u>
<u>986,862</u>	<u>(7,096,938)</u>
149,714	452,933
-	6,723,066
<u>(303,219)</u>	<u>(452,933)</u>
<u>(153,505)</u>	<u>6,723,066</u>
833,357	(373,872)
4,201,342	16,439,696
<u>\$ 5,034,699</u>	<u>\$ 16,065,824</u>



**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (373,872)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Depreciation expense	\$ (6,429,105)	
Capital outlays	<u>6,568,593</u>	
Net Expense Adjustment		139,488

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (1,050)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$122,741. (122,741)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (685,389)

Proceeds received from Certificates of Participation is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. (6,723,066)

Payment of costs for the issuance of certificates of participation is an expenditure in the governmental funds, but is recorded as deferred charges and amortized on the Statement of Net Position over the live of the bonds. 93,575

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds		135,000
State preschool loan		10,500

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES, Continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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In the government-wide financial statements, debt issuance costs are deferred and amortized on an annual basis over the life of the debt using the straight line method.	\$ (84,855)
An internal service fund is used by the District's management to charge program costs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	1,121,031
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (6,491,379)</u></b>

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 4,360,314
Receivables	111,165
<b>Total Current Assets</b>	<b><u>\$ 4,471,479</u></b>
 <b>LIABILITIES</b>	
<b>Total Liabilities</b>	<b><u>\$ -</u></b>
 <b>NET POSITION</b>	
Restricted	4,471,479
<b>Total Net Position</b>	<b><u>\$ 4,471,479</u></b>

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 1,104,945
<b>Total Operating Revenues</b>	<u>1,104,945</u>
<b>OPERATING EXPENSES</b>	
Retiree benefits, OPEB	-
<b>Total Operating Expenses</b>	<u>-</u>
<b>Operating Gain</b>	<u>1,104,945</u>
<b>NONOPERATING REVENUES</b>	
Interest income	16,086
<b>Total Non-Operating Revenues</b>	<u>16,086</u>
<b>Change in Net Position</b>	1,121,031
<b>Total Net Position - Beginning</b>	<u>3,350,448</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 4,471,479</u></u>

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from user charges	\$ 1,060,797
Net Cash Provided by Operating Activities	<u>1,060,797</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	16,086
Net Cash Provided by Investing Activities	<u>16,086</u>
Net Increase in Cash and Cash Equivalents	1,076,883
Cash and Cash Equivalents - Beginning	3,283,431
Cash and Cash Equivalents - Ending	<u>\$ 4,360,314</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 1,104,945
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	(44,148)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,060,797</u>

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 194,375
<b>Total Assets</b>	<u>\$ 194,375</u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 194,375
<b>Total Liabilities</b>	<u>\$ 194,375</u>

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

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Salinas City Elementary School District (the District) was established in 1957 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 6 as mandated by the State and/or Federal agencies. The District operates thirteen elementary schools.

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

#### Component Units

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

The Salinas City Elementary School District Finance Corporation's financial activity is presented in the financial statements as the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

#### Basis of Presentation - Fund Accounting

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

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

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Major Governmental Funds

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

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

### Non-Major Governmental Funds

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

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

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

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

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

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



# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

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

**Debt Service Fund** The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on various long-term obligations of the District.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has the following proprietary funds:

**Internal Service Fund** Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self insurance that is accounted for in an internal service fund which accumulates future retiree benefit contributions.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The District's fiduciary fund category is agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

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

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

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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

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

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

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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

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

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

### **Capital Assets and Depreciation**

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

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

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

### **Accrued Liabilities and Long-Term Obligations**

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

### **Deferred Issuance Costs**

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Any issuance costs, related to those obligations are deferred and amortized over the life of the obligations using the straight line method.

### **Current Loans**

Current loans consist of amounts outstanding at June 30, 2013, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$7,838,447 of restricted net position.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **Interfund Activity**

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

### **Estimates**

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

### **Budgetary Data**

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

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

### **Property Tax**

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

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

### New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).



# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities, net of overdrafts	\$ 26,437,481
Fiduciary funds	<u>194,375</u>
Total Deposits and Investments	<u><u>\$ 26,631,856</u></u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 268,403
Cash in revolving	5,003
Cash with fiscal agent	10,711,413
Investments	<u>15,647,037</u>
Total Deposits and Investments	<u><u>\$ 26,631,856</u></u>

The Child Development Fund reported a deficit Cash in County balance of \$19,251 at June 30, 2013.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Policies and Practices

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

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

### General Authorizations

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

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

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**Interest Rate Risk**

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

**Segmented Time Distribution**

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 15,583,470	\$ 15,583,470	\$ -	\$ -	\$ -

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated, nor have they been rated as of June 30, 2013.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 15,583,470	N/A	\$ -	\$ -	\$ 15,583,470

N/A - Not applicable

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of \$182,185 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 1,764,356	\$ -	\$ 169,210	\$ -	\$ 1,933,566
State Government					
Apportionment	5,471,370	-	-	-	5,471,370
Other state	3,082,605	-	148,392	-	3,230,997
Local Sources	293,121	28	5,697	111,165	410,011
Total	<u>\$ 10,611,452</u>	<u>\$ 28</u>	<u>\$ 323,299</u>	<u>\$ 111,165</u>	<u>\$ 11,045,944</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 7,480,895	\$ -	\$ -	\$ 7,480,895
Construction in progress	157,901	5,273,816	120,956	5,310,761
Total Capital Assets Not Being Depreciated	<u>7,638,796</u>	<u>5,273,816</u>	<u>120,956</u>	<u>12,791,656</u>
Capital Assets being depreciated				
Land improvements	10,478,540	153,440	-	10,631,980
Buildings and improvements	95,651,329	1,149,569	-	96,800,898
Furniture and equipment	3,191,270	112,724	34,998	3,268,996
Total Capital Assets Being Depreciated	<u>109,321,139</u>	<u>1,415,733</u>	<u>34,998</u>	<u>110,701,874</u>
Less Accumulated Depreciation				
Land improvements	2,675,539	538,549	-	3,214,088
Buildings and improvements	39,945,636	5,688,560	-	45,634,196
Furniture and equipment	2,822,531	201,996	33,948	2,990,579
Total Accumulated Depreciation	<u>45,443,706</u>	<u>6,429,105</u>	<u>33,948</u>	<u>51,838,863</u>
Governmental Activities Capital Assets, Net	<u>\$ 71,516,229</u>	<u>\$ 260,444</u>	<u>\$ 122,006</u>	<u>\$ 71,654,667</u>

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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

Governmental Activities	
Instruction	\$ 3,921,754
School site administration	321,455
Home-to-school transportation	514,328
Food services	578,619
All other general administration	257,164
Plant services	835,785
Total Depreciation Expenses, Governmental Activities	<u><u>\$ 6,429,105</u></u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2013, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 1,231	\$ 5,097
Total Major Governmental Fund	<u>1,231</u>	<u>5,097</u>
Non-Major Governmental Funds		
Child Development	-	1,231
Cafeteria	5,097	-
Total Non-Major Governmental Funds	<u>5,097</u>	<u>1,231</u>
Total Governmental Activities	<u><u>\$ 6,328</u></u>	<u><u>\$ 6,328</u></u>

The Child Development Fund owes the General Fund for indirect costs.

The General Fund owes the Cafeteria Fund for over-charged indirect costs.

Total

\$ 1,231
<u>5,097</u>
<u><u>\$ 6,328</u></u>

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2013, consisted of the following:

The General Fund transferred to the Child Development Fund for a 2011-2012 account receivable audit adjustment.	\$ 45,244
The Debt Service Fund transferred to the General Fund for CCR five year settlement to supplement services and requirements of EIA, SIP, and Title I for each site.	303,219
The Building Fund transferred to the Debt Service Fund for required debt payments.	104,470
Total	<u><u>\$ 452,933</u></u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendors payable	\$ 1,874,183	\$ 2,459,808	\$ 248,012	\$ 4,582,003
State apportionment	560,774	-	-	560,774
Accrued payroll	260,119	-	16,710	276,829
Deferred payroll	2,032,745	-	-	2,032,745
Total	<u><u>\$ 4,727,821</u></u>	<u><u>\$ 2,459,808</u></u>	<u><u>\$ 264,722</u></u>	<u><u>\$ 7,452,351</u></u>

**NOTE 7 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

At July 1, 2012, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$9,170,000, which matured on December 31, 2012. On February 20, 2013, the District issued \$9,470,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. The District is required to prepay \$497,000, \$6,240,000, and \$2,845,588 by June 30, 2013, July 31, 2013, and August 31, 2013, respectively. The District has recorded the cash available to make the principal and interest payments as Cash in County Treasury and with the corresponding liability as a current loan.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2013</u>
February 9, 2012	2.00%	December 31, 2012	\$ 9,170,000	\$ -	\$ 9,170,000	\$ -
February 20, 2013	2.00%	October 1, 2013	-	9,470,000	-	9,470,000
Total			<u>\$ 9,170,000</u>	<u>\$ 9,470,000</u>	<u>\$ 9,170,000</u>	<u>\$ 9,470,000</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Due in One Year</u>
General obligation bonds	\$ 24,695,000	\$ -	\$ 135,000	\$ 24,560,000	\$ 190,000
Certificates of participation	11,000,000	6,723,066	-	17,723,066	109,159
Compensated absences	190,366	122,741	-	313,107	-
State preschool loan	105,000	-	10,500	94,500	10,500
Other postemployment benefits	926,538	2,162,708	1,477,319	1,611,927	-
Total	<u>\$ 36,916,904</u>	<u>\$ 9,008,515</u>	<u>\$ 1,622,819</u>	<u>\$ 44,302,600</u>	<u>\$ 309,659</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The Debt Service Fund makes payments for the certificates of participation. The Child Development Fund makes payments on the State Preschool loan. The compensated absences and other postemployment benefits will be paid by the fund for which the employee worked.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**Bonded Debt**

General Obligation Bonds 2008 Election, Series A and Series B

On September 24, 2008, the District issued \$25,000,000 in General Obligation Bonds 2008 Election, Series A and Series B, to finance the acquisition, construction and improvement of certain public facilities of the District, prepay certain outstanding certificates of participation of the District, and pay certain cost of issuance of the bonds. The bonds bear interest at rates ranging from 2.2 percent to 7.153 percent.

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, 2012</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2013</u>
9/24/2008	6/30/33	2.2-7.153	\$25,000,000	\$24,695,000	\$ 135,000	\$ 24,560,000

**Debt Service Requirements to Maturity**

The bonds mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 190,000	\$ 1,395,245	\$ 1,585,245
2015	260,000	1,385,396	1,645,396
2016	335,000	1,371,849	1,706,849
2017	425,000	1,354,235	1,779,235
2018	280,000	1,331,676	1,611,676
2019-2023	3,485,000	6,265,979	9,750,979
2024-2028	7,125,000	4,901,616	12,026,616
2029-2033	12,460,000	2,312,318	14,772,318
Total	\$ 24,560,000	\$ 20,318,314	\$ 44,878,314



**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**Certificates of Participation**

2010 Issuance

In July 2010, the District issued \$11,000,000 of certificates of participation, with interest of 5.44 percent for the acquisition, modernization improvement and construction of District facilities. The certificates of participation have semi-annual interest payments, with principal payments commencing in October 2023 through July 2027. As of June 30, 2013, the principal balance outstanding was \$11,000,000. The certificates qualified as school construction bonds whereby the federal government will subsidize the interest obligation.

Scheduled payments for the COPs are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 598,400	\$ 598,400
2015	-	598,400	598,400
2016	-	598,400	598,400
2017	-	598,400	598,400
2018	-	598,400	598,400
2019-2023	-	2,992,000	2,992,000
2024-2028	11,000,000	1,466,080	12,466,080
Total	<u>\$ 11,000,000</u>	<u>\$ 7,450,080</u>	<u>\$ 18,450,080</u>

2013 Issuances

In May 2013, the District issued \$6,723,066 of certificates of participation, with interest of 3.5 percent in two private placements for the installation of the district-wide solar project. The certificates of participation have quarterly principal and interest payment requirements. The principal payments commence February 1, 2014, while the interest payments commenced on June 1, 2013. The obligation will be paid in full by November 1, 2030.

Scheduled payments for the COPs are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 109,159	\$ 215,223	\$ 324,382
2015	221,398	228,578	449,976
2016	234,797	220,751	455,548
2017	260,288	212,204	472,492
2018	287,525	202,743	490,268
2019-2023	1,498,781	865,776	2,364,557
2024-2028	2,427,752	534,401	2,962,153
2029-2031	1,683,366	83,541	1,766,907
Total	<u>\$ 6,723,066</u>	<u>\$ 2,563,217</u>	<u>\$ 9,286,283</u>

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2013, amounted to \$313,107.

### Preschool Revolving Facilities Loan

The District has entered into an agreement to fund facilities acquisitions with an interest free loan with the California Department of Education. The District's liability on this agreement is summarized below:

	<u>Amount</u>
Balance, July 1, 2012	\$ 105,000
Payments	10,500
Balance, June 30, 2013	<u>\$ 94,500</u>

The loan has minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Annual Payment</u>
2014	\$ 10,500
2015	10,500
2016	10,500
2017	10,500
2018	10,500
2019-2022	42,000
Total	<u>94,500</u>
Less: Amount Representing Interest	-
Present Value of Minimum Lease Payments	<u>\$ 94,500</u>

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$2,118,697, and contributions made by the District during the year were \$1,436,253. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$44,011 and \$(41,066), respectively, which resulted in an increase to the net OPEB obligation of \$685,389. As of June 30, 2013, the net OPEB obligation was \$1,611,927. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,003	\$ -	\$ -	\$ 5,003
Stores inventories	-	-	42,694	42,694
Total Nonspendable	<u>5,003</u>	<u>-</u>	<u>42,694</u>	<u>47,697</u>
Restricted				
Legally restricted programs	2,834,013	-	-	2,834,013
Food service	-	-	862,708	862,708
Capital projects	-	4,686,854	2,111,541	6,798,395
Childcare programs	-	-	83,188	83,188
Debt services	-	-	1,904,303	1,904,303
Total Restricted	<u>2,834,013</u>	<u>4,686,854</u>	<u>4,961,740</u>	<u>12,482,607</u>
Committed				
Deferred maintenance program	-	-	3,066	3,066
Total Committed	<u>-</u>	<u>-</u>	<u>3,066</u>	<u>3,066</u>
Assigned				
Future deficit spending (2012-2013)	881,305	-	-	881,305
Capital projects	-	-	27,199	27,199
Total Assigned	<u>881,305</u>	<u>-</u>	<u>27,199</u>	<u>908,504</u>
Unassigned				
Reserve for economic uncertainties	1,239,056	-	-	1,239,056
Remaining unassigned	1,384,894	-	-	1,384,894
Total Unassigned	<u>2,623,950</u>	<u>-</u>	<u>-</u>	<u>2,623,950</u>
Total	<u>\$ 6,344,271</u>	<u>\$ 4,686,854</u>	<u>\$ 5,034,699</u>	<u>\$ 16,065,824</u>

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2013, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 28,476,909	\$ 28,978,866	\$ 501,957
Employee benefits	\$ 16,869,982	\$ 16,905,997	\$ 36,015
Other outgo	\$ 5,379,937	\$ 5,449,092	\$ 69,155
Debt service	\$ -	\$ 41,250	\$ 41,250

**NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Salinas City Elementary School District. The Plan provides healthcare benefits to eligible retirees and their dependents. Membership of the Plan consists of approximately 100 retirees and beneficiaries currently receiving benefits and over 600 active plan members.

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District and the Salinas Elementary Teachers' Council (SETC), the local California School Employee Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$1,436,253 to the plan, all of which was used for current premiums.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 2,118,697
Interest on net OPEB obligation	44,011
Adjustment to annual required contribution	(41,066)
Annual OPEB cost (expense)	<u>2,121,642</u>
Contributions made	<u>(1,436,253)</u>
Increase in net OPEB obligation	685,389
Net OPEB obligation, beginning of year	<u>926,538</u>
Net OPEB obligation, end of year	<u><u>\$ 1,611,927</u></u>

**Trend Information**

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,121,642	\$ 1,436,253	68%	\$ 1,611,927
2012	1,511,292	1,184,772	78%	926,538
2011	1,509,380	1,174,253	77%	600,018

**Funded Status and Funding Progress**

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Actuarial Cost (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
June 1, 2013	\$ -	\$ 16,148,232	\$ 16,148,232	0%	\$ 38,550,643	42%

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were four percent. The UAAL is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2013, was 26 years.

## **NOTE 12 - RISK MANAGEMENT**

### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is a member of the Monterey and San Benito Counties Liability/Property Joint Powers Authority (MSBCLP), a joint powers authority, for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### **Workers' Compensation**

For fiscal year 2013, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MERMA. Participation in MERMA is limited to districts that can meet MERMA selection criteria.

# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Employee Medical Benefits**

The District has contracted with the Monterey County Schools Insurance Group (MCSIG) to provide employee health benefits. MCSIG is a shared risk pool comprised of member districts in Monterey County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### **NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

#### **CalSTRS**

##### **Plan Description**

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

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,328,343, \$2,405,730, and \$2,320,466, respectively, and equal 100 percent of the required contributions for each year.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### CalPERS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,031,309, \$980,840, and \$608,283, respectively, and equal 100 percent of the required contributions for each year.

#### Social Security

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

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,460,788 (5.176 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the *General Fund - Budgetary Comparison Schedule*.



# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

#### **Litigation**

The District is involved in an appeal arising from the normal course of business in which a decision was reached in favor of the District. In the opinion of management and legal counsel, the disposition cannot be estimated at this time but the potential loss to the District could be \$1.2 to \$1.5 million if the initial decision is reversed.

### **NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of the Monterey Educational Risk Management Authority (MERMA), the Monterey County Schools Insurance Group (MCSIG), and the Monterey and San Benito Counties Liability/Property Joint Powers Authority (MSBCLP) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its workers' compensation, health and welfare, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

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

During the year ended June 30, 2013, the District made payments of \$554,042 to MERMA for workers' compensation coverage.

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

During the year ended June 30, 2013, the District made payments of \$9,887,540 to MCSIG for health and welfare coverage.

# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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

During the year ended June 30, 2013, the District made payments of \$347,095 to MSBCLP for property and liability coverage.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 37,822,296	\$ 42,113,235	\$ 41,683,318	\$ (429,917)
Federal sources	5,972,433	6,104,890	5,145,265	(959,625)
Other State sources	13,468,204	13,769,198	13,501,536	(267,662)
Other local sources	4,478,037	4,807,223	4,456,331	(350,892)
<b>Total Revenues</b> <sup>1</sup>	<b>61,740,970</b>	<b>66,794,546</b>	<b>64,786,450</b>	<b>(2,008,096)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	27,419,350	28,476,909	28,978,866	(501,957)
Classified salaries	7,380,110	7,807,961	7,778,272	29,689
Employee benefits	14,239,995	16,869,982	16,905,997	(36,015)
Books and supplies	3,585,197	4,480,167	2,389,031	2,091,136
Services and operating expenditures	5,083,040	6,020,380	5,524,296	496,084
Other outgo	6,723,849	5,379,937	5,449,092	(69,155)
Capital outlay	-	-	41,250	(41,250)
<b>Total Expenditures</b> <sup>1</sup>	<b>64,431,541</b>	<b>69,035,336</b>	<b>67,066,804</b>	<b>1,968,532</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,690,571)</b>	<b>(2,240,790)</b>	<b>(2,280,354)</b>	<b>(39,564)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	303,219	303,219	303,219	-
Transfers out	-	(45,244)	(45,244)	-
<b>Net Financing Sources (Uses)</b>	<b>303,219</b>	<b>257,975</b>	<b>257,975</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,387,352)</b>	<b>(1,982,815)</b>	<b>(2,022,379)</b>	<b>(39,564)</b>
<b>Fund Balance - Beginning</b>	<b>8,366,650</b>	<b>8,366,650</b>	<b>8,366,650</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,979,298</b>	<b>\$ 6,383,835</b>	<b>\$ 6,344,271</b>	<b>\$ (39,564)</b>

<sup>1</sup> On behalf payments are not included in the revenues and expenditures in this schedule.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
June 1, 2013	\$ -	\$ 16,148,232	\$ 16,148,232	0%	\$ 38,550,643	42%
February 1, 2011	\$ -	\$ 11,157,319	\$ 11,157,319	0%	\$ 38,309,934	29%
April 3, 2009	\$ -	\$ 10,881,965	\$ 10,881,965	0%	\$ 40,771,737	27%

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***SUPPLEMENTARY INFORMATION***

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**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education (CDE):			
Education Jobs Fund	84.410	25152	\$ 40,119
No Child Left Behind Act			
Title I, Part A - Basic	84.010	14329	1,803,717
Title I, Part C - Migrant Education, Regular	84.011	14326	640,922
Title I, Part C - Migrant Education, Summer	84.011	10005	251,954
Title I, Part C - Migrant Education, Even Start	84.011	14768	20,479
Title II, Part A - Improving Teacher Quality	84.367	14341	589,243
Title II, Part A - Administrator Training	84.367	14341	4,835
Title II, Part B - Ca. Mathematics and Science	84.366	14512	88,020
Title III, Limited English Proficient	84.365	10084	433,752
IDEA, Basic Local Assistance Entitlement	84.027	13379	1,026,598
Total U.S. Department of Education			<u>4,899,639</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	245,626
Total U.S. Department of Health and Human Services			<u>245,626</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through California Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,967,648
Basic Breakfast	10.553	13526	9,304
Especially Needy Breakfast	10.553	13526	485,210
Meal Supplement Program	10.555	13391	50,720
Summer Food Program	10.559	13004	49,263
Food Distribution	10.555	13391	265,173
Subtotal - Child Nutrition Cluster			<u>3,827,318</u>
Child and Adult Care Food Program	10.558	13666	434,848
Child Nutrition, Fresh Fruit and Vegetable Program	10.582	14968	221,579
Total U.S. Department of Agriculture			<u>4,483,745</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,629,010</u></u>

See accompanying note to supplementary information.

# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013**

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### **ORGANIZATION**

The Salinas City Elementary School District was established 1957 and consists of an area comprising approximately fourteen square miles located in Monterey County. The District operates thirteen K-6 elementary schools. There were no boundary changes during the year.

### **GOVERNING BOARD**

<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Nathan Larison	President	2015
Daniel Lee	Vice President	2015
Genaro Carlos	Clerk	2013
Roberto Garcia	Member	2013
Robert Foster Hoffman	Member	2013

### **ADMINISTRATION**

Dr. Donna Alonzo Vaughan	Superintendent
Gerald Stratton	Assistant Superintendent, Business Services
Juvenal Luza, Ph.D.	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.



**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	1,302.75	1,303.09
First through third	3,711.16	3,718.78
Fourth through sixth	3,190.92	3,193.72
Home and hospital	2.58	2.64
Special education	129.38	131.26
Total Elementary	<u>8,336.79</u>	<u>8,349.49</u>

See accompanying note to supplementary information.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

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Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Actual	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	31,500	30,625	36,000	35,000	36,000	180	N/A	Complied
Grades 1 - 3	47,250	45,938	50,400	49,000				
Grade 1					50,440	180	N/A	Complied
Grade 2					50,440	180	N/A	Complied
Grade 3					50,440	180	N/A	Complied
Grades 4 - 6	52,500	51,042	54,000	52,500				
Grade 4					54,040	180	N/A	Complied
Grade 5					54,040	180	N/A	Complied
Grade 6					54,040	180	N/A	Complied

See accompanying note to supplementary information.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

	Building Fund	Debt Service Fund
NET POSITION	\$ 1,560,424	\$ 997,096
Balance, June 30, 2013, Unaudited Actuals		
Increase in:		
Cash with fiscal agent	5,586,238	104,470
Accounts payable	(2,459,808)	-
Balance, June 30, 2013, Audited Financial Statement	<u>\$ 4,686,854</u>	<u>\$ 1,101,566</u>

See accompanying note to supplementary information.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget) 2014 <sup>1</sup>	2013	2012	2011
GENERAL FUND				
Revenues and transfers in <sup>3</sup>	\$ 69,419,341	\$ 65,089,667	\$ 65,519,593	\$ 67,241,533
Expenditures	70,300,647	67,066,803	68,678,600	67,741,573
Other uses and transfers out	-	45,244	-	237,292
Total Expenditures and Other Uses <sup>3</sup>	70,300,647	67,112,047	68,678,600	67,978,865
INCREASE/(DECREASE) IN FUND BALANCE	\$ (881,306)	\$ (2,022,380)	\$ (3,159,007)	\$ (737,332)
ENDING FUND BALANCE	\$ 5,462,965	\$ 6,344,271	\$ 8,366,651	\$ 11,525,658
AVAILABLE RESERVES <sup>2</sup>	\$ 2,109,019	\$ 2,623,950	\$ 3,352,096	\$ 2,031,369
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	3.9%	4.9%	3.0%
LONG-TERM OBLIGATIONS	Not Available	\$ 44,302,600	\$ 36,916,904	\$ 36,536,574
AVERAGE DAILY ATTENDANCE AT P-2	8,437	8,337	8,105	7,810

The General Fund balance has decreased by \$5,181,387 over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$881,306 (13.9 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$7,766,026 over the past two years primarily due to the issuance of certificates of participation.

Average daily attendance has increased by 527 over the past two years. Additional growth of 100 ADA is anticipated during fiscal year 2013-2014.

<sup>1</sup> Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments are not included in revenues and expenditures in this schedule.

See accompanying note to supplementary information.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ -	\$ 738,148	\$ 3,063
Receivables	141,345	178,609	3
Due from other funds	-	5,097	-
Stores inventories	-	42,694	-
<b>Total Assets</b>	<b>\$ 141,345</b>	<b>\$ 964,548</b>	<b>\$ 3,066</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ 19,251	\$ -	\$ -
Accounts payable	37,675	59,146	-
Due to other funds	1,231	-	-
<b>Total Liabilities</b>	<b>58,157</b>	<b>59,146</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	-	42,694	-
Restricted	83,188	862,708	-
Committed	-	-	3,066
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>83,188</b>	<b>905,402</b>	<b>3,066</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 141,345</b>	<b>\$ 964,548</b>	<b>\$ 3,066</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Debt Service Fund</b>
\$ 139,591	\$ 2,137,537	\$ 27,166	\$ 802,737	\$ 1,100,571
87	2,227	33	-	995
-	-	-	-	-
-	-	-	-	-
<u>\$ 139,678</u>	<u>\$ 2,139,764</u>	<u>\$ 27,199</u>	<u>\$ 802,737</u>	<u>\$ 1,101,566</u>
\$ -	\$ -	\$ -	\$ -	\$ -
5,820	162,081	-	-	-
-	-	-	-	-
<u>5,820</u>	<u>162,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
133,858	1,977,683	-	802,737	1,101,566
-	-	-	-	-
-	-	27,199	-	-
<u>133,858</u>	<u>1,977,683</u>	<u>27,199</u>	<u>802,737</u>	<u>1,101,566</u>
<u>\$ 139,678</u>	<u>\$ 2,139,764</u>	<u>\$ 27,199</u>	<u>\$ 802,737</u>	<u>\$ 1,101,566</u>

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

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	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 4,948,813
Receivables	323,299
Due from other funds	5,097
Stores inventories	42,694
<b>Total Assets</b>	<b>\$ 5,319,903</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Overdrafts	\$ 19,251
Accounts payable	264,722
Due to other funds	1,231
<b>Total Liabilities</b>	<b>285,204</b>
<b>Fund Balances:</b>	
Nonspendable	42,694
Restricted	4,961,740
Committed	3,066
Assigned	27,199
<b>Total Fund Balances</b>	<b>5,034,699</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,319,903</b>

See accompanying note to supplementary information.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 4,218,572	\$ -
Other State sources	1,109,310	286,706	-
Other local sources	353,056	336,354	35
<b>Total Revenues</b>	<b>1,462,366</b>	<b>4,841,632</b>	<b>35</b>
<b>EXPENDITURES</b>			
Current			
Instruction	834,608	-	-
Instruction-related activities:			
Supervision of instruction	681	-	-
School site administration	47,190	-	-
Pupil services:			
Food services	-	4,532,280	-
All other pupil services	194,897	-	-
Administration:			
All other administration	39,174	164,155	-
Plant services	10,929	-	5,081
Facility acquisition and construction	-	-	-
Enterprise services	327,885	-	-
Debt service			
Principal	10,500	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,465,864</b>	<b>4,696,435</b>	<b>5,081</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,498)</b>	<b>145,197</b>	<b>(5,046)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	45,244	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>45,244</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>41,746</b>	<b>145,197</b>	<b>(5,046)</b>
<b>Fund Balance - Beginning</b>	<b>41,442</b>	<b>760,205</b>	<b>8,112</b>
<b>Fund Balance - Ending</b>	<b>\$ 83,188</b>	<b>\$ 905,402</b>	<b>\$ 3,066</b>

See accompanying note to supplementary information.



<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Debt Service Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ 598,400
-	1,163,465	-	(55,074)	-
110,919	8,517	246	1,841,946	4,804
<u>110,919</u>	<u>1,171,982</u>	<u>246</u>	<u>1,786,872</u>	<u>603,204</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,213	-	-	-	-
33,180	155	-	-	-
322,134	291,105	39,014	-	-
-	-	-	-	-
-	-	-	135,000	-
-	-	-	1,400,813	598,400
<u>358,527</u>	<u>291,260</u>	<u>39,014</u>	<u>1,535,813</u>	<u>598,400</u>
<u>(247,608)</u>	<u>880,722</u>	<u>(38,768)</u>	<u>251,059</u>	<u>4,804</u>
-	-	-	-	104,470
-	-	-	-	(303,219)
-	-	-	-	(198,749)
<u>(247,608)</u>	<u>880,722</u>	<u>(38,768)</u>	<u>251,059</u>	<u>(193,945)</u>
381,466	1,096,961	65,967	551,678	1,295,511
<u>\$ 133,858</u>	<u>\$ 1,977,683</u>	<u>\$ 27,199</u>	<u>\$ 802,737</u>	<u>\$ 1,101,566</u>

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>	
Federal sources	\$ 4,816,972
Other State sources	2,504,407
Other local sources	2,655,877
<b>Total Revenues</b>	<b>9,977,256</b>
<b>EXPENDITURES</b>	
Current	
Instruction	834,608
Instruction-related activities:	
Supervision of instruction	681
School site administration	47,190
Pupil services:	
Food services	4,532,280
All other pupil services	194,897
Administration:	
All other administration	206,542
Plant services	49,345
Facility acquisition and construction	652,253
Enterprise services	327,885
Debt service	
Principal	145,500
Interest and other	1,999,213
<b>Total Expenditures</b>	<b>8,990,394</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>986,862</b>
<b>Other Financing Sources (Uses)</b>	
Transfers in	149,714
Transfers out	(303,219)
<b>Net Financing Sources (Uses)</b>	<b>(153,505)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>833,357</b>
<b>Fund Balance - Beginning</b>	<b>4,201,342</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,034,699</b>

See accompanying note to supplementary information.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of federal commodities received by the District that are not included as revenues or expenditures on the District's financial statements and the federal interest subsidy received.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 9,962,237
Reconciling items:		
Food Distribution	10.555	265,173
Federal interest subsidy	Unknown	(598,400)
Total Schedule of Expenditures of Federal Awards		<u>\$ 9,629,010</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201.

# **SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 2013**

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### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

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

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

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***INDEPENDENT AUDITORS' REPORTS***

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

Governing Board  
Salinas City Elementary School District  
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas City Elementary School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Salinas City Elementary School District's basic financial statements, and have issued our report thereon dated December 12, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 to be significant deficiencies.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Salinas City Elementary School District in a separate letter dated December 12, 2013.

## **Salinas City Elementary School District's Response to Finding**

Salinas City Elementary School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Salinas City Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 12, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Salinas City Elementary School District  
Salinas, California

**Report on Compliance for Each Major Federal Program**

We have audited Salinas City Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salinas City Elementary School District's (the District) major Federal programs for the year ended June 30, 2013. Salinas City Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Salinas City Elementary School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Salinas City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



## Opinion on Each Major Federal Program

In our opinion, Salinas City Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Salinas City Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salinas City Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 Salinas City Elementary School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Varrink, Trine, Day & Co., LLP*

Fresno, California  
December 12, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Salinas City Elementary School District  
Salinas, California

### Report on State Compliance

We have audited Salinas City Elementary School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of Salinas City Elementary School District's State government programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the Salinas City Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salinas City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Salinas City Elementary School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Salinas City Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

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

*Varrink, Trine, Day & Co., LLP*

Fresno, California  
December 12, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>Yes</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic</u>
<u>84.011</u>	<u>Title I, Part C, Migrant Education Programs</u>
<u>10.558</u>	<u>Child and Adult Care Food Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

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

2013-1    60000

### *Internal Control Over Financial Reporting*

#### **Criteria**

Personnel in charge of school district financial management must have sufficient knowledge of the business and be provided the necessary information from other departments to ensure accurate and complete financial reporting occurs.

#### **Condition**

The District has financing arrangement whereby funds are held by a trustee and paid directly to vendors for construction costs. The arrangement is not irregular in school business but it does complicate the accounting of that activity as it must be posted via journal entries into the general ledger. Additionally, much of the activity which triggered the adjustments noted below would have been unknown to the employee in-charge of closing the books as it is being handled and tracked by the Maintenance and Operations Department. During our audit, we found the following adjustments that were material to the financial statements:

- The District issued Certificates of Participation to finance the districts solar projects near the end of year. Neither the cash on deposit with the trustee of \$5,586,238 nor the accruals related to progress billings received subsequent to June 30 but performed prior were recorded totaling \$2,459,808. The adjustments caused a restatement to the Building Fund of \$3,126,430.

#### **Effect**

The effect of these adjustments is an understatement of ending fund balance in the Unaudited Actual Financial Reports for the Building Fund

#### **Cause**

The District's Business Services Department must be made aware of "off the ledger" activity much like that handled through a fiscal agent. All departments involved must understand what adjustments are required and the basis for those adjustments so a close communication process is a must.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### **Recommendation**

Facilities and Business functions must keep abreast of each other's activities and information must be provided to the Business Office to ensure the District's financial activity and ultimately the unaudited actual figures are complete and accurate.

### **Corrective Action Plan**

Background: The lack of coordination in managing this COP and attendant accounts occurred during a "fast track" project that was compressed into the summer period when schools were closed to avoid any adverse impact to educational delivery, to minimize any security and safety concerns associated with the construction of comprehensive solar arrays at 13 schools, and to minimize safety concerns when students would be present. SCESD Facilities Department prepared and presented draws on the COP for payment to Chevron, the designer and prime contractor, and to their sub-contractors.

Effective immediately all such requests for "draws" on any COP or bond monies will be coordinated through the Business Office secretary and the CBO. This will ensure complete inter-office coordination between the Controller and the Director of Facilities. The Controller will be included in the "sign off" prior to submission to the bank for disbursement to any contractor or vendor. Each activity/entry will be logged and cross-referenced so that the Fiscal Office knows of that entry and can access balances.

**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.



**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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

### *Federal Awards Findings*

**2012-1 50000**

Title I, Part A Basic  
CFDA No. 84.010  
United States Department of Education  
Passed Through the California Department of Education  
Questioned Cost: \$24,141

Special Education – IDEA, Basic Local Assistance  
CFDA No. 84.027  
United States Department of Education  
Passed Through the California Department of Education  
Questioned Cost: \$12,235

### **Criteria**

The District may allocate other post employment benefit (OPEB) "contributions" to all activities in proportion to total salaries or total full time equivalents (FTEs) in all activities within the District. A "contribution" is the payment of a premium related to the coverage, the payment of actual claims if the District is self funded, or the contribution into an irrevocable trust for the sole purpose of paying such costs in the future.

### **Condition**

During our testing of the OPEB cost allocations during the year, we identified that the Title I, Part A, Basic and the Special Education-IDEA, Basic Local Assistance programs were overcharged by \$24,141 and \$12,235, respectively. These amounts were calculated based on the proportion of salaries and wages being charged to these specific programs and then multiplied by the total qualifying "contributions" for retiree health and welfare costs as calculated below.

### **Title I, Part A Basic**

Total salaries	a	\$	38,828,488
Title I, Part A Basic salaries	b	\$	868,291
Percentage of Title I salaries compared to total salaries (a divided by b)	c		2.24%
District retiree health and welfare costs	d	\$	1,184,772
Maximum allowable charge (c time d)	e	\$	26,494
Actual costs charged	f	\$	50,635
Unallowable costs charged (e minus f)	g	\$	24,141

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### Special Education - IDEA, Basic Local Assistance

Total salaries	a	\$	38,828,488
Special Education salaries	b	\$	608,150
Percentage of Special Education salaries compared to total salaries (a divided by b)	c		1.57%
District retiree health and welfare costs	d	\$	1,184,772
Maximum allowable costs (c time d)	e	\$	18,556
Actual costs charged	f	\$	30,791
Unallowable costs charged (e minus f)	g	\$	12,235

### Effect

The Title I, Part A Basic and Special Education – IDEA, Basic Local Assistance were overcharged by \$24,141 and \$12,235, respectively as calculated above.

### Cause

For specific programs, the District was charging actual OPEB premiums to object codes 3701 and 3702, however; they were also charging a rate to the programs and charging accounts 3751 and 3752 for the difference between the premiums and the annual required contribution (ARC). The amounts charged to 3751 and 3752 were moved by the District into a Self Insurance Fund, this is not allowed because the District has not established an irrevocable trust so these contributions over and above the premiums cannot be allocated to the programs as those are not "contributions" since the District does not have an Irrevocable Trust.

### Recommendation

The District should not charge the programs a rate in excess of the actual "contributions" to the OPEB obligations. Should the District wish to set aside funds for future retiree costs, these cannot be charged to categorical programs and would need to be funded by unrestricted funds unless an Irrevocable Trust is established. In addition, the District should reimburse Title I, Part A Basic and Special Education – IDEA, Basic Local Assistance in the amount of \$24,141 and \$12,235, respectively, from an unrestricted source. The District should closely review the California School Accounting Manual (CSAM), Procedure 785 which describes the compliance requirements and outlines options for allocating "contributions" to various cost objectives in the District, including Federal and State resources.

### Current Status

Implemented.



December 12, 2013

Governing Board  
Salinas City Elementary School District  
Salinas, California

In planning and performing our audit of the financial statements of Salinas City Elementary School District for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2013, on the financial statements of Salinas City Elementary School District.

***DISTRICT OFFICE AND SCHOOL SITES***

***Cash Receipts***

**Observation**

During our audit of the cash receipting procedures we discovered various weaknesses in those procedures. They were as follows:

**School Site Collections:**

Prenumbered receipts are not being utilized for funds collected at the individual school site level. Without this information, the district cannot reconcile the funds deposited to the bank with the funds that were collected at the school site.

**Extended Day Care & Smart Start Program:**

- There is a lack of segregation of duties between collecting funds and recording the payments to student accounts. The current procedure would allow a payment to be taken, the child's account updated as if the payment was properly posted and no one would know.
- There were inconsistent receipting or logging procedures for payments made to student accounts. Parents have the option to make payments via drop boxes at several locations. When district personnel collect the payments from the drop box, no immediate logging of the payment is taking place.
- Student payments are being tracked on the backside of the individual student application. This procedure hinders the district's ability to efficiently identify student accounts with overdue balances. Essentially, the district would have to review each individual application to identify delinquent accounts. The Smart Start Program did have a spreadsheet to track fees and payments made but the district ceased use of the spreadsheet in March 2013.

**State Preschool Program:**

There is a lack of segregation of duties between collecting funds and recording the payments to students account. The current procedure would allow a payment to be taken, the child's account updated as if the payment was properly posted and no one would know.

**Recommendation**

**School Site Collections:**

Prenumbered receipts should be issued immediately upon the receipt of those funds in sequential order for all funds collected at the school sites which would include a specific description of the source of the funds. A carbon copy of the receipts issued should be forwarded with the cash to the district office as documentation that all monies collected have been turned in.

***Extended Day Care and Smart Start Program:***

- Strong internal controls include a segregation of duties between collecting funds and recording the funds in the accounting records of the District. The employee who collects funds should not be the employee who updates the student accounts. If segregating the duties is not economically feasible, the district should have a process in which student balances are reviewed by a supervisor on a monthly basis to ensure the payments made were recorded to the correct account and that no accounts have an inexplicable history of omitted payments. The reviewer should also verify the deposits made total the payments posted on the students account.
- The funds collected from the drop box locations must be logged immediately. In doing so, the district will ensure all payments made by parents via drop boxes are deposited to the bank and that no checks were lost or misplaced.
- When the district has received all applications and has determined the fees to be charged, a spreadsheet should be prepared summarizing the information for each student. As payments are made, the district should input the payments to track the ongoing balance.

***State Preschool Program:***

Strong internal controls include a segregation of duties between collecting funds and recording the funds in the accounting records of the district. The employee who collects funds should not be the employee who updates the student accounts. If segregating the duties is not economically feasible, the district should have a process in which student balances are reviewed by a supervisor on a monthly basis to ensure the payments made were recorded to the correct account and that no accounts have an inexplicable history of omitted payments. The reviewer should also verify the deposits made total the payments posted on the students account.

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

*Vannink, Trini, Day & Co, LLP*

Fresno, California  
December 12, 2013