

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Monterey, California

FINANCIAL STATEMENTS
June 30, 2011

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2011

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Education
Salinas City Elementary School District
Salinas, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Salinas City Elementary School District, as of and for the year ended June 30, 2011, which collectively comprise Salinas City Elementary School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Salinas City Elementary School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011 on our consideration of Salinas City Elementary School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT

(Continued)

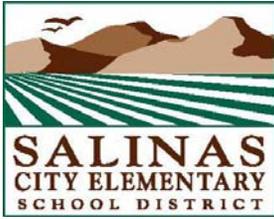
Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required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

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



Crowe Horwath LLP

Sacramento, California
December 13, 2011



ADMINISTRATION

DONNA ALONZO VAUGHAN, Ph.D.
Superintendent

GERALD STRATTON
Assistant Superintendent,
Business Services

JUVENAL LUZA, Ph.D.
Assistant Superintendent,
Educational Services

THOMAS CRANSON
Director, Pupil Personnel Services

TERRY RYAN
Director, Maintenance, Operations,
& Transportation Services

PAT WILLINGHAM
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BOARD OF EDUCATION

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INTRODUCTION

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 8,268 students in 2010-2011.

The District operated 13 elementary schools in 2010-11 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.

The Management's Discussion and Analysis Section of the audit report represents the District's financial performance during the fiscal year that ended on June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of Salinas City Elementary School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Codification Section N50.118-.121.

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 as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified 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 Salinas City Elementary School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets 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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are indicators of whether its *financial health* 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 Board of Education'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 important components in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities* we report the District activities as follows:

Governmental activities – Most of the District's services are reported in this category. This includes the education of kindergarten through grade six students, the operation of preschool activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes, state general purpose funds, user and developer fees, interest income, federal, state and local grants, as well as state bond funds for facilities, 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. Funds are required to be established by State law and by bond covenants. Management uses fund accounting 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.

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. 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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

THE DISTRICT AS A WHOLE

Net Assets

The District’s net assets were \$64.8 million for the fiscal year ended June 30, 2011, and \$69.3 million for the fiscal year ended June 30, 2010. This decrease of \$4.5 million is largely attributed to the depreciation of assets and a combination of other net asset changes shown below. The District’s unrestricted net assets saw a decline from \$6.1 million in 2009-10, to \$2.4 million in 2010-11. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board’s ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District’s governmental activities for the past two fiscal years.

Table 1: Net Assets

(Amounts in millions)	Governmental Activities		
	2011	2010	Difference
Current and other assets	\$ 34.0	\$ 29.4	\$ 4.6
Capital assets	\$ 71.9	\$ 70.8	\$ 1.1
Total Assets	\$ 105.9	\$ 100.2	\$ 5.7
Current liabilities	\$ 4.8	\$ 5.6	\$ (0.8)
Long-term liabilities	\$ 36.3	\$ 25.2	\$ 11.1
Total Liabilities	\$ 41.1	\$ 30.8	\$ 10.3
Net assets			
Invested in capital assets, net of related debt	\$ 43.9	\$ 51.7	\$ (7.8)
Restricted	\$ 18.5	\$ 11.5	\$ 7.0
Unrestricted	\$ 2.4	\$ 6.1	\$ (3.7)
Total Net Assets	\$ 64.8	\$ 69.3	\$ (4.5)

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Change in Net Assets

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 the total revenues for the past two fiscal years along with the variance between the two fiscal years.

Table 2: Changes in Net Assets

(Amounts in millions)	Governmental Activities		
	2011	2010	Difference
Revenues			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.4	\$ (0.1)
Operating grants and contributions	\$ 23.1	\$ 24.1	\$ (1.0)
General revenues:			
State aid not restricted to specific Purposes	\$ 35.0	\$ 30.3	\$ 4.7
Property taxes	\$ 14.4	\$ 16.8	\$ (2.4)
Other general revenues	\$ 0.6	\$ 1.7	\$ (1.1)
Total Revenues	\$ 73.4	\$ 73.3	\$ 0.1
Expenses			
Instruction related	\$ 55.1	\$ 50.0	\$ 5.1
Student support services	\$ 6.5	\$ 6.8	\$ (0.3)
Administration	\$ 3.2	\$ 4.7	\$ (1.5)
Maintenance and operations	\$ 5.7	\$ 7.8	\$ (2.1)
Other	\$ 7.4	\$ 6.4	\$ 1.0
Total Expenses	\$ 77.9	\$ 75.7	\$ 2.2
Changes in Net Assets	\$ (4.5)	\$ (2.4)	\$ (2.1)

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$77.9 million as compared to \$75.7 million in the prior year. The amount that our local taxpayers ultimately financed for these activities through local taxes was \$14.4 million because the portion of the cost was paid by those who benefited from the programs (\$323,325) or by other governments and organizations who subsidized certain programs with operating grants and contributions (\$23.1 million). The District paid for the remaining “public benefit” portion of its governmental activities with \$35.0 million in Federal and State funds and with other revenues, including interest and general entitlements. This resulted in a deficit of \$4.5 million.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds were significantly increased with a combined fund balance of \$25.1 million, compared from last year's combined fund balance of \$22.6 million.

The primary reason for these changes is:

Our General Fund is our principal operating fund. The District's fiscal stability can be measured by the variance in its fund balance. Our unrestricted fund balance for 2010-11 was \$8.7 million. The district implemented various measures that included a mid-year freeze, keeping vacant positions vacant and not approving new positions that resulted in a fund balance increase. The State's Categorical flexibility and ARRA funds have also enhanced the District's fiscal stability.

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 in June 2011. 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.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$115.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. For the 2010-11 year, the net fixed assets totaled \$71.9 million. This amount represents a net increase including additions, deductions and depreciation of \$1.0 million from last year.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Long-Term Liabilities

The District’s long-term liabilities are \$36.5 million. We present more detailed information regarding our long-term liabilities in Note 5 of the financial statements.

Table 3: Long Term Liabilities

(Amounts in millions)	Governmental Activities		
	2011	2010	Difference
Miscellaneous	\$ 0.6	\$ 0.2	\$ 0.4
General Obligations Bonds	\$ 24.7	\$ 24.8	\$ (0.1)
QSCB COP	\$ 11.0	\$ -	\$ 11.0
Compensated Absences	\$ 0.2	\$ 0.2	\$ -
Totals	\$ 36.5	\$ 25.2	\$ 11.3

FINANCIAL STATUS OF DISTRICT AND NEXT YEAR’S BUDGET

The District has made a steady course of continuous improvement in academic achievement, improving its facilities and meeting the priorities of the Board of Education and the community. The 2010-11 fiscal year closed with an additional Board approved reserve of 2% above the State mandated 3% and more reserves for unknown future reductions. 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.

Recent news on the decline in the California State revenues will inevitably impact the overall execution in the current fiscal year, and in 2012-13. In spite of the severe reductions at the State level, the District’s enrollment growth and proactive measures by the Board of Trustees on approving an expenditure freeze in 2010-11 have solidified the District’s fiscal stability. Federal ARRA funds and categorical program flexibility are other sources of revenues that have supported the District’s fiscal health and allowed the District to certify our 3-year budget during these troubled economic times.

Given the State’s current deficit projection of \$3.7 billion in 2011-12 and up to \$13.7 billion in the following year, the District will continue to monitor the State’s economy and the budget, exercise extreme caution in its multi-year forecast, and remain critically conservative in budgeting new revenues. Additionally, the State’s announcement to defer 38.4% of 2011-12 revenues into the 2012-13 fiscal year will severely impact cash reserves and require the District to execute a TRANS to maintain a positive cash position and thus meet payroll and other obligations.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

General Obligation Bond

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% approval. This Measure funds up to \$80 million in construction and facility improvements.

The Board authorized the issuance of the first series of bonds within the Authorization in an aggregate principal amount not to exceed Twenty-Five Million Dollars (\$25,000,000) (the "Bonds"). This comprised Series A Bonds of \$21,565,000 and Series B Bonds (taxable) of \$3,435,000. These Bonds are the first series of bonds issued under the \$80 million Authorization.

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

The Series A and B Bonds are issued to (a) finance the acquisition, construction and improvement of certain public school facilities for the District, (b) prepay certain outstanding Certificates of Participation 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 Proposition 39, the District was required 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 Proposition 39 financial audit reports. The Committee members perform field visits to sites which have bond funded projects. The next site tour is scheduled for February 2012.

In 2009-10, the District completed three school front and parking lot projects at Mission Park, Kammann and Loma Vista schools. Additional work included front office relocation at Mission Park and roof replacement work at Sherwood. In 2010-11 at Los Padres Elementary School, the District added 15 modular classrooms and a restroom complex while removing 9 old, leased and non-conforming portables. The school front parking lot, staff parking lot, Kindergarten classrooms and play area, and administrative offices relocation-renovation project at El Gabilan School was also completed.

The District borrowed \$11 million under the Qualified School Construction Bond (QSCB) program in 2010-11. These funds must be used by July 2013. In the current year, the District completed a major parking, front office and library project at Monterey Park Elementary School that was started in 2010-11. Security enhancement projects and shade structures are being completed at multiple sites, spanning both 2010-11 and the current fiscal year. The final major project to use QSCB Funds will be the design and construction of a Multi-Purpose Joint Use Facility at Los Padres Elementary School.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 16,713,254
Receivables	15,008,448
Prepaid expenditures	2,260,477
Stores inventory	53,311
Non-depreciable capital assets (Note 4)	10,684,609
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>61,182,017</u>
Total assets	<u>105,902,116</u>
LIABILITIES	
Accounts payable	3,367,421
Deferred revenue	1,167,664
Long-term liabilities (Note 5):	
Due within one year	241,556
Due after one year	<u>36,295,018</u>
Total liabilities	<u>41,071,659</u>
NET ASSETS	
Invested in capital assets, net of related debt	43,897,927
Restricted (Note 6)	18,505,559
Unrestricted	<u>2,426,971</u>
Total net assets	<u>\$ 64,830,457</u>

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, 2011

		<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 46,294,137		\$ 10,237,639		\$ (36,056,498)
Instruction-related services:					
Supervision of instruction	3,798,975		3,013,555		(785,420)
Instructional library, media and technology	240,752		101,017		(139,735)
School site administration	4,746,687		1,419,589		(3,327,098)
Pupil services:					
Home-to-school transportation	1,618,255		509,380		(1,108,875)
Food services	3,471,941	\$ 309,631	3,101,212		(61,098)
All other pupil services	1,430,838		614,289		(816,549)
General administration:					
Centralized data processing	225,699				(225,699)
All other general administration	2,973,547	13,694	2,656,855		(302,998)
Plant services	5,676,348		27,108		(5,649,240)
Ancillary services	283		283		
Enterprise activities	311,761		196,993		(114,768)
Interest on long-term liabilities	3,665,454				(3,665,454)
Other outgo	3,496,627		1,207,528		(2,289,099)
	<u>\$ 77,951,304</u>	<u>\$ 323,325</u>	<u>\$ 23,085,448</u>	<u>\$ -</u>	<u>(54,542,531)</u>
Total governmental activities					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes				12,759,338	
Taxes levied for debt service				1,324,059	
Taxes levied for other specific purposes				278,287	
Federal and state aid not restricted to specific purposes				35,017,045	
Interest and investment earnings				93,306	
Interagency revenues				17,478	
Miscellaneous				499,402	
				<u>49,988,915</u>	
					(4,553,616)
					<u>69,384,073</u>
					<u>\$ 64,830,457</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 1,125,390	\$ 747,377	\$ 4,792,191	\$ 6,664,958
Cash on hand and in banks	66,675		6,727	73,402
Cash in revolving fund	4,708			4,708
Cash with Fiscal Agent		7,806,301		7,806,301
Receivables	14,669,260	13,352	323,589	15,006,201
Due from other funds	249,063		237,292	486,355
Prepaid expenditures	470			470
Stores inventory			53,311	53,311
	<u>16,115,566</u>	<u>8,567,030</u>	<u>5,413,110</u>	<u>30,095,706</u>
Total assets	<u>\$ 16,115,566</u>	<u>\$ 8,567,030</u>	<u>\$ 5,413,110</u>	<u>\$ 30,095,706</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,194,012	\$ 34,996	\$ 138,413	\$ 3,367,421
Deferred revenue	1,158,604		9,060	1,167,664
Due to other funds	237,292		249,063	486,355
	<u>4,589,908</u>	<u>34,996</u>	<u>396,536</u>	<u>5,021,440</u>
Total liabilities	<u>4,589,908</u>	<u>34,996</u>	<u>396,536</u>	<u>5,021,440</u>
Fund balances:				
Nonspendable	5,178		53,311	58,489
Restricted	2,785,641	8,532,034	4,963,263	16,280,938
Assigned	6,703,470			6,703,470
Unassigned	2,031,369			2,031,369
	<u>11,525,658</u>	<u>8,532,034</u>	<u>5,016,574</u>	<u>25,074,266</u>
Total fund balances	<u>11,525,658</u>	<u>8,532,034</u>	<u>5,016,574</u>	<u>25,074,266</u>
Total liabilities and fund balances	<u>\$ 16,115,566</u>	<u>\$ 8,567,030</u>	<u>\$ 5,413,110</u>	<u>\$ 30,095,706</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total fund balances - Governmental Funds		\$ 25,074,266
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$115,065,005 and the accumulated depreciation is \$43,198,379 (Note 4).		
		71,866,626
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2011 consisted of (Note 5):		
General Obligation Bonds	\$ (24,775,000)	
Certificates of Participates	(11,000,000)	
Compensated absences	(161,556)	
Other postemployment benefits (Note 8)	<u>(600,018)</u>	
		(36,536,574)
Debt issue costs and discounts are recognized as expenditures in the period they are incurred. Unamortized debt issue costs and discounts included in prepaid expenses in the statement of net assets are:		
		2,260,007
Internal service funds are used to conduct certain activities or which costs are charged to other funds on a full cost-recovery basis. Net assets for Self-Insurance Fund are:		
		<u>2,166,132</u>
Total net assets - governmental activities		<u><u>\$ 64,830,457</u></u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 26,671,330			\$ 26,671,330
Local sources	<u>12,723,055</u>			<u>12,723,055</u>
Total revenue limit	<u>39,394,385</u>			<u>39,394,385</u>
Federal sources	8,782,319		\$ 3,118,224	11,900,543
Other state sources	15,283,181		1,385,913	16,669,094
Other local sources	<u>3,534,452</u>		<u>1,909,315</u>	<u>5,443,767</u>
Total revenues	<u>66,994,337</u>		<u>6,413,452</u>	<u>73,407,789</u>
Expenditures:				
Certificated salaries	28,783,169		445,855	29,229,024
Classified salaries	7,543,795	\$ 3,172	1,537,114	9,084,081
Employee benefits	16,242,294	388	1,206,668	17,449,350
Books and supplies	3,286,417	1,706	1,265,646	4,553,769
Contract services and operating expenditures	5,588,441	4,484,559	529,622	10,602,622
Capital outlay	1,805,473	970,870	82,973	2,859,316
Other outgo	4,491,984			4,491,984
Debt service:				
Principal retirement			35,000	35,000
Interest		<u>7,953</u>	<u>1,405,447</u>	<u>1,413,400</u>
Total expenditures	<u>67,741,573</u>	<u>5,468,648</u>	<u>6,508,325</u>	<u>79,718,546</u>
Deficiency of revenues under expenditures	<u>(747,236)</u>	<u>(5,468,648)</u>	<u>(94,873)</u>	<u>(6,310,757)</u>
Other financing sources (uses):				
Operating transfers in	247,196		237,292	484,488
Operating transfers out	(237,292)		(247,196)	(484,488)
Proceeds from the issuance of debt		11,000,000		11,000,000
Other financing uses		<u>(2,260,007)</u>		<u>(2,260,007)</u>
Total other financing sources (uses)	<u>9,904</u>	<u>8,739,993</u>	<u>(9,904)</u>	<u>8,739,993</u>
Net change in fund balances	(737,332)	3,271,345	(104,777)	2,429,236
Fund balances, July 1, 2010	<u>12,262,990</u>	<u>5,260,689</u>	<u>5,121,351</u>	<u>22,645,030</u>
Fund balances, June 30, 2011	<u>\$ 11,525,658</u>	<u>\$ 8,532,034</u>	<u>\$ 5,016,574</u>	<u>\$ 25,074,266</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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

For the Year Ended June 30, 2011

Net change in fund balances - Total Governmental Funds	\$	2,429,236
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	\$	5,787,671
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(4,756,953)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).		35,000
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).		(11,000,000)
Costs and discounts on the issuance of debt are recognized as other financing uses in the governmental funds, but increase net assets in the statement of net assets.		2,260,007
Internal service funds are used to conduct certain activities or which costs are charged to other funds on a full cost-recovery basis. Change in net assets for Self-Insurance Fund is:		995,357
In the statement of activities, expenses related to compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).		(303,934) (6,982,852)
Change in net assets of governmental activities		<u>\$ (4,553,616)</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2011

ASSETS	
Cash in County Treasury	\$ 2,163,885
Receivables	<u>2,247</u>
Total assets	<u>2,166,132</u>
NET ASSETS	
Restricted	<u><u>\$ 2,166,132</u></u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2011

Operating revenues:	
Self-insurance premiums	\$ 987,849
Non-operating income:	
Interest income	<u>7,508</u>
Change in net assets	995,357
Net assets, July 1, 2010	<u>1,170,775</u>
Net assets, June 30, 2011	<u><u>\$ 2,166,132</u></u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2011

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 1,144,636
Cash flows from investing activities:	
Interest received	<u>7,508</u>
Change in cash in County Treasury	1,152,144
Cash in County Treasury, July 1, 2010	<u>1,011,741</u>
Cash in County Treasury, June 30, 2011	<u><u>\$ 2,163,885</u></u>
Reconciliation of operating revenues to net cash provided by operating activities:	
Operating revenues	\$ 987,849
Adjustments to reconcile operating revenues to net cash provided by operating activities:	
Decrease in receivables	<u>156,787</u>
Net cash provided by operating activities	<u><u>\$ 1,144,636</u></u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole.

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

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

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1. General Fund:

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

2. Special Revenue Funds:

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

3. Capital Projects Funds:

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

4. Debt Service Funds:

The Debt Service Funds are used to account for the interest and redemption of long-term liabilities. This classification includes the Bond Interest and Redemption and Debt Service Funds.

Basis of Accounting

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

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

Modified Accrual

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

Budgets and Budgetary Accounting

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

Stores Inventory

Stores inventory is valued using the purchases method in that the expense is recorded at the time of purchase. Inventories are recorded as an expenditure or expense at the time the individual inventory items are transferred from the warehouse to the schools or used in meal production.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The Statement of Revenues, Expenses and Change in Fund Balances reflects only the handling charges paid for these purchases. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absence benefits in the amount of \$161,556 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Sick Leave Benefits

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Deferred Revenue

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

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for special revenue programs represents the portion of net assets restricted for special purposes. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for debt service represents the portion of net assets restricted for paying long-term liabilities. The restriction for Self-Insurance represents the portion of net assets restrict for payment of claims.

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2011, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2011, no such designation has occurred.

At June 30, 2011 the Board of Education had made assignments of fund balance in the General Fund for programmatic / instructional use, additional reserves, future revenue reductions, equipment replacement and other items.

E - Unassigned Fund Balance:

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

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2011, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

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

Encumbrances

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

Eliminations and Reclassifications

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

Estimates

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consisted of the following:

	<u>Governmental Activities</u>
Pooled Funds:	
Cash in County Treasury	\$ 8,828,843
Deposits:	
Cash on hand and in banks	73,402
Revolving cash fund	4,708
Cash with Fiscal Agent, held in County Treasury	<u>7,806,301</u>
Total	<u>\$ 16,713,254</u>

Pooled Funds

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

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

In accordance with applicable state laws, the Monterey County Treasurer may invest in derivative securities. However, at June 30, 2011, the Monterey County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The District limits custodial risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in bank are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institution. As of June 30, 2011, the carrying amount of the District's accounts were \$78,110, and the bank balances were \$78,110 all of which was insured by the FDIC.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent represents unspent debt proceeds restricted for capital projects, held by a third party custodian.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2011, the District had no significant interest rate risk related to cash investments held.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2011, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2011 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 249,063	\$ 237,292
Non-Major Funds:		
Child Development	237,292	95,523
Cafeteria	_____	153,540
Totals	\$ 486,355	\$ 486,355

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2010-2011 fiscal year were as follows:

Transfer from the Child Development Fund to the General Fund to allocate indirect costs.	\$ 93,656
Transfer from the General Fund to the Child Development Fund to cover excess of expenditures.	237,292
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	<u>153,540</u>
	<u><u>\$ 484,488</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2011 is shown below:

	<u>Balance July 1, 2010</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Balance June 30, 2011</u>
Non-depreciable:				
Land	\$ 7,480,895			\$ 7,480,895
Work-in-process		\$ 3,203,714		3,203,714
Depreciable:				
Improvement of sites	9,393,530	616,604	\$ (877,321)	9,132,813
Buildings	90,105,156	1,967,353		92,072,509
Equipment	<u>3,175,074</u>			<u>3,175,074</u>
Totals, at cost	<u>110,154,655</u>	<u>5,787,671</u>	<u>(877,321)</u>	<u>115,065,005</u>
Less accumulated depreciation:				
Improvement of sites	(2,645,838)	(413,996)	(877,321)	(2,182,513)
Buildings	(34,904,083)	(3,358,712)		(38,262,795)
Equipment	<u>(1,768,826)</u>	<u>(984,245)</u>		<u>(2,753,071)</u>
Total accumulated depreciation	<u>(39,318,747)</u>	<u>(4,756,953)</u>	<u>(877,321)</u>	<u>(43,198,379)</u>
Capital assets, net	<u>\$ 70,835,908</u>	<u>\$ 1,030,718</u>	<u>\$ -</u>	<u>\$ 71,866,626</u>

Depreciation expense was charged to governmental activities as follows:

Depreciation - Instruction	<u>\$ 4,756,953</u>
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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

General Obligation Bonds

On September 24, 2008, the District issued \$25,000,000 in General Obligation Bonds 2008 Election, Series A, to finance the acquisition, construction and improvement of certain public school 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% to 7.153% and are scheduled to mature through 2034 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 80,000	\$ 1,404,180	\$ 1,484,180
2013	135,000	1,400,813	1,535,813
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
2017-2021	2,440,000	6,552,935	8,992,935
2022-2026	5,495,000	5,572,519	11,067,519
2027-2031	10,075,000	3,531,298	13,606,298
2032-2034	<u>5,765,000</u>	<u>509,073</u>	<u>6,274,073</u>
	<u>\$ 24,775,000</u>	<u>\$ 23,123,308</u>	<u>\$ 47,898,308</u>

Certificates of Participation (COPs)

In July 2010, the District issued \$11,000,000 of Certificates of Participation, with interest at 5.44% 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.

Scheduled payments for the COPs are as follows:

<u>Year Ending June 30,</u>	<u>COPs Payments</u>
2012	\$ 598,400
2013	598,400
2014	598,400
2015	598,400
2016	598,400
2017-2021	2,992,000
2022-2026	9,053,440
2027-2028	<u>4,609,440</u>
Total payments	19,646,880
Less amount representing interest	<u>(8,646,880)</u>
Net present value of minimum payments	<u>\$ 11,000,000</u>

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
General Obligation Bonds	\$ 24,810,000		\$ 35,000	\$ 24,775,000	\$ 80,000
Certificates of Participation		\$ 11,000,000		11,000,000	
Compensated absences	192,749	161,556	192,749	161,556	161,556
Other postemployment benefits (Note 8)	<u>264,891</u>	<u>335,127</u>		<u>600,018</u>	
	<u>\$ 25,267,640</u>	<u>\$ 11,496,683</u>	<u>\$ 227,749</u>	<u>\$ 36,536,574</u>	<u>\$ 241,556</u>

Payments for the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for the compensated absences and other postemployment benefits are made from the fund that the related employee is charged to.

6. NET ASSETS / FUND BALANCES

The restricted net assets consisted of the following at June 30, 2011:

	<u>Governmental Activities</u>
Restricted for:	
Revolving cash	\$ 4,708
Prepaid expenditures	470
Stores inventory	53,311
Unspent categorical program revenues	2,785,641
Special revenue programs	608,442
Capital projects programs	10,132,154
Debt service	2,754,701
Self-Insurance	<u>2,166,132</u>
Total restricted net assets	<u>\$ 18,505,559</u>

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. NET ASSETS / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2011 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 4,708			\$ 4,708
Prepaid expenditures	470			470
Stores inventory			\$ 53,311	53,311
	<u>5,178</u>		<u>53,311</u>	<u>58,489</u>
Subtotal nonspendable				
Restricted:				
Unspent categorical revenues	2,785,641			2,785,641
Capital projects		\$ 8,532,034	1,600,120	10,132,154
Special revenue			608,442	608,442
Debt service			<u>2,754,701</u>	<u>2,754,701</u>
	<u>2,785,641</u>	<u>8,532,034</u>	<u>4,963,263</u>	<u>16,280,938</u>
Subtotal restricted				
Assigned:				
Board assigned	<u>6,703,470</u>			<u>6,703,470</u>
Unassigned:				
Designated for economic uncertainty	<u>2,031,369</u>			<u>2,031,369</u>
	<u>2,031,369</u>			<u>2,031,369</u>
	<u>2,031,369</u>			<u>2,031,369</u>
Total fund balances	<u>\$ 11,525,658</u>	<u>\$ 8,532,034</u>	<u>\$ 5,016,574</u>	<u>\$ 25,074,266</u>

7. EMPLOYEE RETIREMENT SYSTEMS

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 10.707% 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 2010-2011 was 10.71% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2010 and 2011 were \$828,150, \$898,811 and \$608,283, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.25% of their salary. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2009, 2010 and 2011 were \$2,527,333, \$2,478,251 and \$2,320,466, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the District provides postemployment healthcare benefits to all employees who retire at age fifty-five (55) with at least fifteen (15) years of service. Currently, 93 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. These benefits are paid as the expense is incurred. During the year, expenditures of \$1,174,253 were recognized for retirees' health care benefits.

The District's annual other postemployment benefit (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 Cod. Sec. P50.108-.109. 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 liabilities (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:

Annual required contribution	\$ 1,507,868
Interest on net OPEB obligation	13,245
Adjustment to annual required contribution	<u>(11,733)</u>
Annual OPEB cost (expense)	1,509,380
Contributions made	<u>(1,174,253)</u>
Increase in net OPEB obligation	335,127
Net OPEB obligation - beginning of year	<u>264,891</u>
Net OPEB obligation - end of year	<u>\$ 600,018</u>

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 1,139,252	77%	\$ 264,891
June 30, 2011	\$ 1,509,380	77%	\$ 600,018

As of April 14, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$11,157,319, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,157,319. The covered payroll (annual payroll of active employees covered by the Plan) was \$38,309,934, and the ratio of the UAAL to the covered payroll was 29 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

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, 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, included as required supplementary information in the following section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 April 14, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent initially. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 30 years.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AUTHORITIES

Monterey County School Workers' Compensation JPA

The District is a member of a Joint Powers Authority, Monterey County School Workers' Compensation JPA (MCSWCJPA), for Workers' compensation claims. The Authority was formed for the operation of a common risk management and insurance program and is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of MCSWCJPA, including selections of management and approval of operating budgets.

Condensed financial information for MCSWCJPA for the year ended June 30, 2010 (the latest information available) is as follows:

Total assets	\$ 35,221,397
Total liabilities	\$ 31,410,930
Net assets	\$ 3,810,467
Total revenues	\$ 9,157,379
Total expenses	\$ 8,595,047
Change in net assets	\$ 562,332

Northern California Schools' Regional Liability Excess Fund

The District is a member of a Joint Powers Authority, Northern California Schools' Regional Liability Excess Fund (NCSRLEF), for General Liability claims from \$25,001 up to \$1,000,000 and for Property claims from \$25,001 up to \$141,060,000. The Fund was formed for the operation of a common risk management and insurance program and is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of NCSRLEF, including selections of management and approval of operating budgets.

Condensed financial information for NCSRLEF for the year ended June 30, 2011 is as follows:

Total assets	\$ 60,461,646
Total liabilities	\$ 34,033,515
Net assets	\$ 26,428,131
Total revenues	\$ 36,448,186
Total expenses	\$ 35,721,662
Change in net assets	\$ 726,524

The relationship between the District and the Joints Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. CONTINGENCIES

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

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 22,044,457	\$ 26,671,330	\$ 26,671,330	
Local sources	<u>14,279,328</u>	<u>12,914,487</u>	<u>12,723,055</u>	\$ (191,432)
Total revenue limit	<u>36,323,785</u>	<u>39,585,817</u>	<u>39,394,385</u>	<u>(191,432)</u>
Federal sources	5,281,160	9,098,436	8,782,319	(316,117)
Other state sources	12,785,963	15,046,752	15,283,181	236,429
Other local sources	<u>5,091,887</u>	<u>5,214,156</u>	<u>3,534,452</u>	<u>(1,679,704)</u>
Total revenues	<u>59,482,795</u>	<u>68,945,161</u>	<u>66,994,337</u>	<u>(1,950,824)</u>
Expenditures:				
Certificated salaries	27,992,329	31,165,432	28,783,169	2,382,263
Classified salaries	7,261,481	7,625,420	7,543,795	81,625
Employee benefits	16,734,762	17,141,152	16,242,294	898,858
Books and supplies	1,993,787	5,367,196	3,286,417	2,080,779
Contract services and operating expenditures	3,984,135	5,881,590	5,588,441	293,149
Capital outlay	2,470,799	2,470,799	1,805,473	665,326
Other outgo	<u>4,968,727</u>	<u>6,085,970</u>	<u>4,491,984</u>	<u>1,593,986</u>
Total expenditures	<u>62,935,221</u>	<u>75,737,559</u>	<u>67,741,573</u>	<u>7,995,986</u>
Deficiency of revenues under expenditures	<u>(3,452,426)</u>	<u>(6,792,398)</u>	<u>(747,236)</u>	<u>6,045,162</u>
Other financing sources (uses):				
Operating transfers in			247,196	247,196
Operating transfers in			<u>(237,292)</u>	<u>(237,292)</u>
Total other financing sources (uses)			<u>9,904</u>	<u>9,904</u>
Net change in fund balance	(3,452,426)	(6,792,398)	(737,332)	6,055,066
Fund balance, July 1, 2010	<u>12,262,990</u>	<u>12,262,990</u>	<u>12,262,990</u>	
Fund balance, June 30, 2011	<u>\$ 8,810,564</u>	<u>\$ 5,470,592</u>	<u>\$ 11,525,658</u>	<u>\$ 6,055,066</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2011

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	April 3, 2009	\$ -	\$ 10,881,965	\$ 10,881,965	0%	\$ 40,771,737	27%
6/30/2011	April 14, 2011	\$ -	\$ 11,157,319	\$ 11,157,319	0%	\$ 38,309,934	29%

The accompanying notes are integral part of these financial statements.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2011

	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>County School Facilities Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS									
Cash in County Treasury	\$ (312,041)	\$ 751,037	\$ 1,883	\$ 1,178,604	\$ 354,315	\$ 65,499	\$ 1,110,036	\$ 1,642,858	\$ 4,792,191
Cash on hand and in banks		6,727							6,727
Receivables	309,882	9,994	204	1,240	390	72		1,807	323,589
Due from other funds	237,292								237,292
Stores inventory		<u>53,311</u>							<u>53,311</u>
Total assets	<u>\$ 235,133</u>	<u>\$ 821,069</u>	<u>\$ 2,087</u>	<u>\$ 1,179,844</u>	<u>\$ 354,705</u>	<u>\$ 65,571</u>	<u>\$ 1,110,036</u>	<u>\$ 1,644,665</u>	<u>\$ 5,413,110</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 77,558	\$ 60,855							\$ 138,413
Deferred revenue	9,060								9,060
Due to other funds	<u>95,523</u>	<u>153,540</u>							<u>249,063</u>
Total liabilities	<u>182,141</u>	<u>214,395</u>							<u>396,536</u>
Fund balances:									
Nonspendable		53,311							53,311
Restricted	<u>52,992</u>	<u>553,363</u>	<u>\$ 2,087</u>	<u>\$ 1,179,844</u>	<u>\$ 354,705</u>	<u>\$ 65,571</u>	<u>\$ 1,110,036</u>	<u>\$ 1,644,665</u>	<u>4,963,263</u>
Total fund balances	<u>52,992</u>	<u>606,674</u>	<u>2,087</u>	<u>1,179,844</u>	<u>354,705</u>	<u>65,571</u>	<u>1,110,036</u>	<u>1,644,665</u>	<u>5,016,574</u>
Total liabilities and fund balances	<u>\$ 235,133</u>	<u>\$ 821,069</u>	<u>\$ 2,087</u>	<u>\$ 1,179,844</u>	<u>\$ 354,705</u>	<u>\$ 65,571</u>	<u>\$ 1,110,036</u>	<u>\$ 1,644,665</u>	<u>\$ 5,413,110</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2011

	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>County School Facilities Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues:									
Federal sources	\$ 36,270	\$ 3,081,954							\$ 3,118,224
Other state sources	1,240,999	144,914							1,385,913
Other local sources	<u>215,342</u>	<u>336,225</u>	<u>\$ 2,084</u>	<u>\$ 7,800</u>	<u>\$ 9,279</u>	<u>\$ 298</u>	<u>\$ 1,329,718</u>	<u>\$ 8,569</u>	<u>1,909,315</u>
Total revenues	<u>1,492,611</u>	<u>3,563,093</u>	<u>2,084</u>	<u>7,800</u>	<u>9,279</u>	<u>298</u>	<u>1,329,718</u>	<u>8,569</u>	<u>6,413,452</u>
Expenditures:									
Certificated salaries	445,855								445,855
Classified salaries	353,110	1,184,004							1,537,114
Employee benefits	552,441	654,227							1,206,668
Books and supplies	22,620	1,243,026							1,265,646
Contract services and operating expenditures	139,177	390,445							529,622
Capital outlay	76,753				6,220				82,973
Debt service:									
Principal retirement							35,000		35,000
Interest							<u>1,405,447</u>		<u>1,405,447</u>
Total expenditures	<u>1,589,956</u>	<u>3,471,702</u>			<u>6,220</u>		<u>1,440,447</u>		<u>6,508,325</u>
(Deficiency) excess of revenues (under) over expenditures	(97,345)	91,391	2,084	7,800	3,059	298	(110,729)	8,569	(94,873)
Other financing sources (uses):									
Operating transfers in	237,292								237,292
Operating transfers out	<u>(93,656)</u>	<u>(153,540)</u>							<u>(247,196)</u>
Total other financing sources (uses)	<u>143,636</u>	<u>(153,540)</u>							<u>(9,904)</u>
Net change in fund balances	46,291	(62,149)	2,084	7,800	3,059	298	(110,729)	8,569	(104,777)
Fund balances, July 1, 2010	<u>6,701</u>	<u>668,823</u>	<u>3</u>	<u>1,172,044</u>	<u>351,646</u>	<u>65,273</u>	<u>1,220,765</u>	<u>1,636,096</u>	<u>5,121,351</u>
Fund balances, June 30, 2011	<u>\$ 52,992</u>	<u>\$ 606,674</u>	<u>\$ 2,087</u>	<u>\$ 1,179,844</u>	<u>\$ 354,705</u>	<u>\$ 65,571</u>	<u>\$ 1,110,036</u>	<u>\$ 1,644,665</u>	<u>\$ 5,016,574</u>

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

June 30, 2011

Salinas City Elementary School District was established in 1957 and is a political subdivision of the State of California. The territory covered by the District includes approximately 14 square miles located in Monterey County. There were no changes in the boundaries of the District during the current year. The District operates twelve K-6 elementary schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Robert Eggers	President	2011
Edward Moncrief	Vice President	2011
Michael Harris	Clerk	2013
Genaro Carlos	Member	2013
Robert Hoffman	Member	2013

ADMINISTRATION

Donna Alonzo Vaughan
Superintendent

Gerald Stratton
Assistant Superintendent
Business Services

Juvenal Luza, Ph.D.
Assistant Superintendent
Educational Services

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2011

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,307	1,381
First through Third	3,418	3,545
Fourth through Sixth	2,998	3,108
Special Education	86	91
Home and Hospital	<u>1</u>	<u>2</u>
Total Elementary	<u><u>7,810</u></u>	<u><u>8,127</u></u>

See accompanying notes to
supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2011

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,000	180	In Compliance
Grade 1	50,400	47,250	51,030	180	In Compliance
Grade 2	50,400	47,250	51,030	180	In Compliance
Grade 3	50,400	47,250	51,030	180	In Compliance
Grade 4	54,000	52,500	54,090	180	In Compliance
Grade 5	54,000	52,500	54,090	180	In Compliance
Grade 6	54,000	52,500	54,090	180	In Compliance

See accompanying notes to
supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 1,706,022
84.389	NCLB: ARRA Title I, Part A, Basic Grants Low Income and Neglected	15005	186,164
84.389	NCLB: ARRA Title I, School Improvement Grant (SIG) for QEIA Schools	15004	<u>372,849</u>
	Subtotal NCLB: Title I Cluster		<u>2,265,035</u>
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611 (Formerly PL 94-142)	13379	1,002,315
84.391	Special Ed: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	<u>63,265</u>
	Subtotal Special Education Cluster		<u>1,065,580</u>
84.011	NCLB: Title I, Migrant Ed Summer Program	10005	283,350
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	474,674
84.213	NCLB: Title I, Part B (3) Even Start Family Literacy Program	14331	126,038
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	385,679
84.367	NCLB: Title II, Part A, Administrator Training	14344	9,118
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	2,257
84.386A	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	15019	34,341
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CaMSP)	14512	884,450
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	474,335
84.186	NCLB: Title IV, Part A, Safe and Drug Free Schools and Communities, Formula Grants	14347	321
84.357	NCLB: Title I, Part B, Reading First Program, LEA Grants	14787	140,744
84.394	ARRA: State Fiscal Stabilization Fund	25008	560,321
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	13,705

(Continued)

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2011

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.387	NCLB: ARRA Title X McKinney-Vento Homeless Assistance	15007	\$ 36,670
84.377	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	14971	786,354
84.410	Education Jobs Fund	25152	<u>1,249,651</u>
	Total U.S. Department of Education		<u>8,792,623</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	CCDF Cluster:		
93.575	Child Development	13942	11,306
93.713	Child Development-ARRA Quality Improvement Activities	15010	24,964
93.575	Child Development-Quality Improvement Activities	13979	<u>11,306</u>
	Total CCDF Cluster		<u>47,576</u>
93.778	Medi-Cal Billing Option	10013	<u>93,916</u>
	Total U.S. Department of Health and Human Services		<u>141,492</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs	13391	<u>3,625,242</u>
10.579	Child Nutrition: American Recovery and Reinvestment Act		
	Total Federal Programs		<u>\$ 12,559,357</u>

See accompanying notes to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

See accompanying notes to
supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2011

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
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There are currently no charter schools in the District.

See accompanying notes to
supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2011.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 11,900,543
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	104,312
Child Nutrition: School Programs	10.555	543,287
Child Development - Quality Improvement	93.575	11,215
Total Schedule of Expenditure of Federal Awards		\$ 12,559,357

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2011-2012 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2011, the District did not adopt this program.

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
 Salinas City Elementary School District
 Salinas, California

We have audited the compliance of Salinas City Elementary School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of Salinas City Elementary School District's management. Our responsibility is to express an opinion on Salinas City Elementary School District's compliance based on our audit.

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

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

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

(Continued)

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

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

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

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

The 2010-2011 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2011. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2010-2011 Audit Guide relating to the comparison of tested data from the 2010-2011 fiscal year to the 2010-2011 School Accountability Report Cards.

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

We did not perform any procedures related to After School Education and Safety Program B1 and B2 because the District did not operate a before school program.

We did not perform any procedures related to Contemporaneous Records of Attendance, Nonclassroom-Based Instruction/Independent Study, Additional Nonclassroom-Based Instruction, Determination of Funding for Nonclassroom-Based Instruction, and Annual Instructional Minutes - Classroom based, for charter schools because the District had no charter schools in the current year.

As described in Finding 2011-03 in the accompanying Schedule of Audit Findings and Questioned Costs, Salinas City Elementary School District did not comply with requirements regarding Attendance Accounting and Reporting. Compliance with such requirements is necessary, in our opinion, for Salinas City Elementary School District to comply with state laws and regulations applicable to Attendance Accounting and Reporting requirements.

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

(Continued)

In our opinion, except for the noncompliance with Attendance Accounting and Reporting identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-03, Salinas City Elementary School District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Salinas City Elementary School District had not complied with the state laws and regulations.

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

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


Crowe Horwath LLP

Sacramento, California
December 13, 2011

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

Board of Education
Salinas City Elementary School District
Salinas, California

We have audited the financial statements of Salinas City Elementary School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-01, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-01 to be a material weakness.

**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**

(Continued)

Compliance and Other Matters

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

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

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



Crowe Horwath LLP

Sacramento, California
December 13, 2011

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

Board of Education
Salinas City Elementary School District
Salinas, California

Compliance

We have audited Salinas City Elementary School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salinas City Elementary School District's major federal programs for the year ended June 30, 2011. Salinas City Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Salinas City Elementary School District's management. Our responsibility is to express an opinion on Salinas City Elementary School District's compliance based on our audit.

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

In our opinion, Salinas City Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an immaterial instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-02.

Internal Control Over Compliance

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

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

(Continued)

Internal Control Over Compliance (Continued)

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

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

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

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


Crowe Horwath LLP

Sacramento, California
December 13, 2011

FINDINGS AND RECOMMENDATIONS

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

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

Noncompliance material to financial statements
 noted? Yes X No

FEDERAL AWARDS

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	NCLB: Title I Cluster (including ARRA)
84.365	NCLB: Title III, Limited English Proficient Students
84.377	NCLB: Title 1, School Improvement Grant for QEIA
84.394	ARRA: State Fiscal Stabilization Fund
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 376,783

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

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

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01 MATERIAL WEAKNESS - CAPITAL ASSETS (30000)

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting. This includes establishing policies for recording the historical costs of capital assets, as well as establishing depreciable lives and appropriately depreciating those assets.

Condition

Capital asset records were not updated throughout the year.

Effect

At the time the June 30, 2011 Unaudited Actuals were prepared, the District did not have information to determine the current year capital asset additions, deletions or depreciation expense.

Cause

Due to personnel changes during the year, capital asset records were not updated throughout the year. Subsequent to year end, District staff were required to spend significant time recording capital asset activity and reconciling the capital asset ledgers to the District's financial statements.

Fiscal Impact

There is no immediate fiscal impact.

Recommendation

The District should establish procedure to update the capital asset ledgers at regular intervals throughout the year. In addition, the District should implement procedures as part of the year-end closing process to reconcile capital asset activity to the Districts financial statements.

Corrective Action Plan

Capital asset acquisitions and deletions will be processed through the Maintenance and Transportation department to ensure correct and timely recording of assets.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-02 FEDERAL PROGRAM REPORTING (50000) - CFDA 84.410 EDUCATION JOBS FUND

Criteria

Under Section 101 of the American Reinvestment and Recovery Act (ARRA), LEAs must fulfill the quarterly reporting requirements under Section 1512 of ARRA. Section 101 also requires LEAs to provide annual reports as outlined under Section 14008 of ARRA that would include information on the number of education personnel affected by the Education Jobs program.

Condition

The District filed the required Section 1512 Report quarterly, however, there is no indication of how many jobs were retained or created.

Effect

Not determinable.

Cause

Procedures were not in place.

Fiscal Impact

Not applicable.

Recommendation

The District should implement procedures to ensure that they include information on the number of education personnel affected by the Education Jobs Program.

Corrective Action Plan

The District will submit the corrections on the Section 1512 December 2011 Quarterly Report. District personnel will review future reports to ensure the correct information is submitted.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2011

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2011-03 ATTENDANCE ACCOUNTING AND REPORTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

The Annual Report of Attendance prepared by the District and submitted to the State was not correct.

Effect

The Annual Report of Attendance was overstated by approximately 258 ADA.

Cause

PowerSchool reports used to generate the information for the Annual Report of Attendance were incorrect, and mathematical errors were made in the preparation of the Annual Report of Attendance.

Fiscal Impact

There is no immediate fiscal impact. However, the Annual Report of Attendance is overstated by approximately 258 ADA.

Recommendation

The District should recalculate and resubmit the Annual Report of Attendance. The District should implement procedures to ensure that the information used to generate attendance reports to the State is reviewed and verified before the reports are completed.

Corrective Action Plan

The District has recalculated the Annual ADA and will resubmit the corrected Annual Report of Attendance to the State.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2010-01</p> <p>Cash in Banks for the Cafeteria fund was overstated at June 30, 2010, because the appropriate journal entry to adjust the cash balance from the prior year was not made. Additionally, the error was not identified through cash reconciliation because the June 30, 2010 bank statement was reconciled to the July 8, 2010 book balance.</p> <p>The District will reconcile bank accounts to the month ending balance per the general ledger. Additionally, the District will ensure the reconciled balance agrees to the general ledger and/or unaudited actuals at year-end.</p>	<p>Implemented.</p>	
<p>2010-02</p> <p>An invoice was improperly excluded from accounts payable at June 30, 2010.</p> <p>The District should implement procedures to ensure all items payable at year-end are properly accrued for and/or included in accounts payable.</p>	<p>Implemented.</p>	