Salinas City Elementary School District

Annual Financial Report

June 30, 2014

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Salinas City Elementary School District
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12, budgetary comparison information and other postemployment benefit information on pages 52 and 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Salinas City Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas City Elementary School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 15, 2014

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SALINAS
CITY ELEMENTARY
SCHOOL DISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of Salinas City Elementary School District is to provide a quality education, qualified educators and a collaborative environment where students are challenged and encouraged to excel. The District is located in the community of Salinas in Monterey County. This community, located 110 miles south of San Francisco and 16 miles east of Monterey, is a predominantly agricultural community and includes a large migrant population. The District served 8,912 students in 2013-2014.

The District operated 13 elementary schools in 2013-2014 and serves under a locally elected five member Board of Education. The District is designated as a Program Improvement District and provides academic performance improvement for grades K-6 through multiple state and federal educational programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $48.0 million for the fiscal year ended June 30, 2014. Of this amount, $6.9 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		
	2014	2013 Restated	Difference
Assets			
Current and other assets	$ 46.9	$ 39.1	$ 7.8
Capital assets	74.8	71.7	3.1
Total Assets	121.7	110.8	10.9
Liabilities			
Current liabilities	28.6	17.1	11.5
Long-term obligations	45.1	44.3	0.8
Total Liabilities	73.7	61.4	12.3
Net Position			
Net investment in capital assets	32.8	34.0	(1.2)
Restricted	6.9	7.8	(0.9)
Unrestricted	8.3	7.6	0.7
Total Net Position	**$ 48.0**	**$ 49.4**	**$ (1.4)**

The $8.3 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 9.2 percent ($8.3 million compared to $7.6 million).

Changes in Net Position

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

Table 2

(Amounts in millions)	Governmental Activities		
	2014	2013	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.4	$ 0.4	$ -
Operating grants and contributions	19.6	21.1	(1.5)
General revenues:			
Federal and State aid not restricted	45.3	37.0	8.3
Property taxes	15.1	16.0	(0.9)
Other general revenues	3.3	1.7	1.6
Total Revenues	83.7	76.2	7.5
Expenses			
Instruction related	57.9	54.9	3.0
Student support services	9.1	9.4	(0.3)
Administration	3.4	3.5	(0.1)
Plant services	7.0	6.6	0.4
Other	7.7	8.3	(0.6)
Total Expenses	85.1	82.7	2.4
Change in Net Position	**$ (1.4)**	**$ (6.5)**	**$ 5.1**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $85.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $15.1 million because the cost was paid by those who benefited from the programs ($0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($19.6 million). We paid for the remaining "public benefit" portion of our governmental activities with, $48.6 million in State funds and other revenues, like interest and general entitlements.

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

Table 3

(Dollar amounts in millions)	Net Cost of Services			
	2014		2013	
Instruction related	$	46.3	$	42.7
Student support services		3.0		3.4
Administration		3.1		3.1
Plant services		7.0		6.6
Other		5.7		5.4
Total	**$**	**65.1**	**$**	**61.2**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $11.0 million, which is a decrease of $5.0 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity					
	2014		2013		Difference	
General	$	7.7	$	6.3	$	1.4
Non-Major Funds		3.3		9.7		(6.4)
Total	**$**	**11.0**	**$**	**16.0**	**$**	**(5.0)**

Although the General Fund increased by nearly $1.4 million due primarily to increased State funding, the primary reason for the overall decrease in the non-major funds was continued capital outlay in the capital projects funds.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it deals with regular budget execution and unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 8, 2014 (2013-2014 Unaudited Actuals). A schedule showing the General Fund original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements.

The District originally projected a decrease in the General Fund of approximately $1.4 million. Although revenues were $4.5 million more than expected, expenditures were $1.7 million more than originally projected, resulting in an increase to the General Fund of approximately $1.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had $74.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $3.1 million, or 4.3 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities					
	2014		2013		Difference	
Land	$	7.5	$	7.5	$	-
Construction in progress		1.2		5.3		(4.1)
Buildings and improvements		65.8		58.6		7.2
Equipment		0.3		0.3		-
Total	**$**	**74.8**	**$**	**71.7**	**$**	**3.1**

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

Long-Term Obligations

At the end of this year, the District had $45.1 million in long term obligations versus $44.3 million last year, an increase of $0.8 million or 1.8 percent. Those long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities					
	2014		2013		Difference	
General obligation bonds	$	24.4	$	24.6	$	(0.2)
Certificates of participation		17.6		17.7		(0.1)
Compensated absences		0.2		0.3		(0.1)
State preschool loan		0.1		0.1		-
Other postemployment benefits		2.8		1.6		1.2
Total	**$**	**45.1**	**$**	**44.3**	**$**	**0.8**

The District's S&P general obligation bond rating continues to be "AAA/A-." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $24.4 million is below the statutorily-imposed limit. We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

FINANCIAL STATUS OF DISTRICT AND NEXT YEAR'S BUDGET

Salinas City Elementary School District continues to move forward with partial restoration of funding levels versus the deep cuts and accompanying deferrals of the past five years. This has allowed the district to hire additional teachers to support growth and to reduce class sizes consistent with Grade Span Adjustment (GSA) requirements. We closed 2013-2014 with Reserve levels above the mandated State minimum and project carrying this forward through the current year as we budget to account for the loss of QEIA funds. The Board approved our multi-year budget in June where we certified Positive for the current budget year and the two subsequent years' projections.

The LCFF has been used to build our budget and out year projections as required by CDE. We have used the more conservative SSC recommendations in budgeting out years. The preponderance of new funds has been in Supplemental and Concentration dollars and is closely controlled by the Local Control and Accountability Plan. This initially created lively discussions at the bargaining table before the teachers' union agreed that these funds could not be used for basic GF priorities- and were not available for salary increases.

For 2014-2015 the District has budgeted excess reserve funds that will cover required funding in the two subsequent years. We have budgeted conservatively for those two years based on very modest economic improvements expected. We have continued to stabilize benefits contributions with bargaining units, albeit with the highest compensated benefits packages of any non-basic aid district in our county. This will be of even increased importance in the out years as we fund the growth in our teacher population to support continued growth projections and GSA class size reductions. Additionally, we still have an unfunded liability in Fund 67 and the promise from CDE that the weight of "saving" CalSTRS and CalPERS will fall disproportionately on the District's back.

THE DISTRICT'S FINANCIAL MANAGEMENT

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	$ 10,172,286
Receivables	35,195,418
Discounts/premiums on debt issuance	1,496,802
Stores inventories	45,844
Nondepreciable capital assets	8,715,452
Capital assets being depreciated	122,230,126
Accumulated depreciation	(56,129,113)
Total Assets	121,726,815
LIABILITIES	
Accounts payable	28,546,298
Unearned revenue	152,109
Current portion of long-term obligations	491,898
Noncurrent portion of long-term obligations	44,579,364
Total Liabilities	73,769,669
NET POSITION	
Net investment in capital assets	32,821,436
Restricted for:	
Debt service	1,655,475
Capital projects	315,176
Educational programs	3,730,961
Other activities	1,108,698
Unrestricted	8,325,400
Total Net Position	$ 47,957,146

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 49,501,378	$ 13,998	$ 9,317,583
Instruction-related activities:			
Supervision of instruction	2,701,340	35	1,299,362
Instructional library, media, and technology	382,399	-	101,720
School site administration	5,285,665	1,552	819,792
Pupil services:			
Home-to-school transportation	2,104,504	-	-
Food services	4,990,543	391,477	4,409,122
All other pupil services	2,034,524	3,112	1,307,119
Administration:			
Data processing	341,864	-	-
All other administration	3,037,695	9,622	285,315
Plant services	7,047,382	-	15,151
Enterprise services	423,555	-	213,723
Interest on long-term obligations	2,267,395	-	-
Other outgo	5,058,578	-	1,832,707
Total Governmental Activities	$ 85,176,822	$ 419,796	$ 19,601,594

General revenues and subventions:

Property taxes, levied for general purposes

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (40,169,797)
(1,401,943)
(280,679)
(4,464,321)
(2,104,504)
(189,944)
(724,293)
(341,864)
(2,742,758)
(7,032,231)
(209,832)
(2,267,395)
(3,225,871)
(65,155,432)
14,872,971
170,734
45,284,327
53,593
3,291,022
63,672,647
(1,482,785)
49,439,931
$ 47,957,146

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	$ 2,131,632	$ 2,526,667	$ 4,658,299
Receivables	34,075,972	1,001,231	35,077,203
Due from other funds	104,500	6,432	110,932
Stores inventories	-	45,844	45,844
Total Assets	$ 36,312,104	$ 3,580,174	$ 39,892,278
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 28,423,049	$ 123,249	$ 28,546,298
Due to other funds	728	110,204	110,932
Unearned revenue	145,035	7,074	152,109
Total Liabilities	28,568,812	240,527	28,809,339
Fund Balances:			
Nonspendable	5,003	45,844	50,847
Restricted	3,543,703	3,293,641	6,837,344
Committed	-	157	157
Assigned	2,547,384	5	2,547,389
Unassigned	1,647,202	-	1,647,202
Total Fund Balances	7,743,292	3,339,647	11,082,939
Total Liabilities and Fund Balances	$ 36,312,104	$ 3,580,174	$ 39,892,278

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Funds		**$ 11,082,939**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 130,945,578	
Accumulated depreciation is	(56,129,113)	
Net Capital Assets		74,816,465
Expenditures relating to issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis. The balance to amortize is reported on the Statement of Net Position as discounts on debt issuance.		1,496,802
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets excluding the balance of the other postemployment benefits obligation are:		5,632,202
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	24,370,000	
Certificates of participation	17,613,907	
Compensated absences	230,275	
State preschool loan	84,000	
Other postemployment benefits	2,773,080	
Total Long-Term Obligations		(45,071,262)
Total Net Position - Governmental Activities		**$ 47,957,146**

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Local Control Funding Formula	$ 56,919,714	$ -	$ 56,919,714
Federal sources	4,980,197	4,782,013	9,762,210
Other State sources	8,610,448	1,423,679	10,034,127
Other local sources	4,438,525	2,539,461	6,977,986
Total Revenues	74,948,884	8,745,153	83,694,037
EXPENDITURES			
Current			
Instruction	46,072,003	811,895	46,883,898
Instruction-related activities:			
Supervision of instruction	2,699,235	2,105	2,701,340
Instructional library, media and technology	382,399	-	382,399
School site administration	4,979,988	91,164	5,071,152
Pupil services:			
Home-to-school transportation	1,771,607	-	1,771,607
Food services	125	4,604,295	4,604,420
All other pupil services	1,851,673	182,851	2,034,524
Administration:			
Data processing	341,864	-	341,864
All other administration	2,816,696	132,221	2,948,917
Plant services	6,502,941	48,518	6,551,459
Facility acquisition and construction	951,554	6,428,361	7,379,915
Other outgo	5,058,578	-	5,058,578
Enterprise services	121,199	302,356	423,555
Debt service			
Principal	-	309,659	309,659
Interest and other	-	2,213,633	2,213,633
Total Expenditures	73,549,862	15,127,058	88,676,920
NET CHANGE IN FUND BALANCES	1,399,022	(6,381,905)	(4,982,883)
Fund Balance - Beginning	6,344,270	9,721,552	16,065,822
Fund Balance - Ending	$ 7,743,292	$ 3,339,647	$ 11,082,939

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds		**$ (4,982,883)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation expense	$ (4,290,250)	
Capital outlays	7,452,048	
Net Expense Adjustment		3,161,798
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by $82,832.		82,832
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(1,161,153)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		190,000
Certificates of participation		109,159
State preschool loan		10,500
In the government-wide financial statements, premiums and discounts on the issuance of debt are deferred and amortized on an annual basis over the life of the debt using the straight line method.		
Amortization of debt premuim	15,627	
Amortization of debt discount	(69,388)	
Net Expense Adjustment		(53,761)
An internal service fund is used by the District's management to charge program costs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		1,160,723
Change in Net Position of Governmental Activities		**$ (1,482,785)**

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 5,513,987
Receivables	118,215
Total Current Assets	$ 5,632,202
LIABILITIES	
Total Liabilities	$ -
NET POSITION	
Restricted	5,632,202
Total Net Position	$ 5,632,202

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 1,138,097
Total Operating Revenues	1,138,097
OPERATING EXPENSES	
Retiree benefits, OPEB	-
Total Operating Expenses	-
Operating Gain	1,138,097
NONOPERATING REVENUES	
Interest income	22,626
Total Non-Operating Revenues	22,626
Change in Net Position	1,160,723
Total Net Position - Beginning	4,471,479
Total Net Position - Ending	$ 5,632,202

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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from user charges	$ 1,131,047
Net Cash Provided by Operating Activities	1,131,047
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	22,626
Net Cash Provided by Investing Activities	22,626
Net Increase in Cash and Cash Equivalents	1,153,673
Cash and Cash Equivalents - Beginning	4,360,314
Cash and Cash Equivalents - Ending	$ 5,513,987
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,138,097
Changes in assets and liabilities:	
Receivables	(7,050)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,131,047

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Agency Funds
ASSETS	
Deposits and investments	$ 208,971
Total Assets	$ 208,971
LIABILITIES	
Due to student groups	$ 208,971
Total Liabilities	$ 208,971

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method.

In governmental fund financial statements, debt premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $6,810,310 of restricted net position.

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $834,660. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

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

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	$ 10,172,286
Fiduciary funds	208,971
Total Deposits and Investments	$ 10,381,257

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	$ 277,452
Cash in revolving	5,003
Investments	10,098,802
Total Deposits and Investments	$ 10,381,257

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk are indicated in the schedules below:

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

Interest Rate Risk

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

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 10,090,856	$ 10,090,856	$ -	$ -	$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance of $29,412 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government				
Categorical aid	$ 1,256,615	$ 685,690	$ -	$ 1,942,305
State Government				
State principal apportionment	31,758,192	-	-	31,758,192
Other state	825,775	240,351	-	1,066,126
Local Sources	235,390	75,190	118,215	428,795
Total	$ 34,075,972	$ 1,001,231	$ 118,215	$ 35,195,418

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, are as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 7,480,895	$ -	$ -	$ 7,480,895
Construction in progress	5,310,761	1,035,897	5,112,101	1,234,557
Total Capital Assets Not Being Depreciated	12,791,656	1,035,897	5,112,101	8,715,452
Capital Assets being depreciated				
Land improvements	10,631,980	290,197	-	10,922,177
Buildings and improvements	96,800,898	11,174,612	-	107,975,510
Furniture and equipment	3,268,996	63,443	-	3,332,439
Total Capital Assets Being Depreciated	110,701,874	11,528,252	-	122,230,126
Less Accumulated Depreciation				
Land improvements	3,214,088	530,667	-	3,744,755
Buildings and improvements	45,634,196	3,733,971	-	49,368,167
Furniture and equipment	2,990,579	25,612	-	3,016,191
Total Accumulated Depreciation	51,838,863	4,290,250	-	56,129,113
Governmental Activities Capital Assets, Net	$ 71,654,667	$ 8,273,899	$ 5,112,101	$ 74,816,465

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

Governmental Activities	
Instruction	$ 2,617,051
School site administration	214,513
Home-to-school transportation	343,220
Food services	386,123
All other general administration	171,610
Plant services	557,733
Total Depreciation Expenses, Governmental Activities	$ 4,290,250

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 104,500	$ 728
Non-Major Governmental Funds		
Child Development	-	109,989
Cafeteria	6,432	215
Total Non-Major Governmental Funds	6,432	110,204
Total Governmental Activities	$ 110,932	$ 110,932

The Child Development Fund owes the General Fund for field trip costs.	$ 831
The Child Development Fund owes the Cafeteria Fund for food service expenses.	5,704
The Child Development Fund owes the General Fund for a Smart & Final invoice.	1,729
The Child Development Fund owes the General Fund for salaries.	56,438
The General Fund owes the Cafeteria Fund for food service expenses.	728
The Cafeteria Fund owes the General Fund for indirect costs.	215
The Child Development Fund owes the General Fund for its share of postemployment expenses.	17,500
The Child Development Fund owes the General Fund for indirect costs.	27,787
Total	$ 110,932

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendors payable	$ 617,958	$ 123,249	$ 741,207
State principal apportionment	25,495,317	-	25,495,317
Accrued payroll	397,310	-	397,310
Deferred payroll	1,912,464	-	1,912,464
Total	$ 28,423,049	$ 123,249	$ 28,546,298

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 145,035	$ -	$ 145,035
State categorical aid	-	7,074	7,074
Total	$ 145,035	$ 7,074	$ 152,109

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2013	Payments	Outstanding June 30, 2014
February 20, 2013	2.00%	October 1, 2013	$ 9,470,000	$ 9,470,000	$ -

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	$ 24,560,000	$ -	$ 190,000	$ 24,370,000	$ 260,000
Certificates of participation	17,723,066	-	109,159	17,613,907	221,398
Compensated absences	313,107	-	82,832	230,275	-
State preschool loan	94,500	-	10,500	84,000	10,500
Other postemployment benefits	1,611,927	2,195,264	1,034,111	2,773,080	-
Total	$ 44,302,600	$ 2,195,264	$ 1,426,602	$ 45,071,262	$ 491,898

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

Bonded Debt

General Obligation Bonds 2008 Election, Series A and Series B

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

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2013	Redeemed	Bonds Outstanding June 30, 2014
9/24/2008	6/30/33	2.2-7.153	$ 25,000,000	$ 24,560,000	$ 190,000	$ 24,370,000

Debt Service Requirements to Maturity

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 260,000	$ 1,385,396	$ 1,645,396
2016	335,000	1,371,849	1,706,849
2017	425,000	1,354,235	1,779,235
2018	280,000	1,331,676	1,611,676
2019	470,000	1,316,501	1,786,501
2020-2024	4,105,000	6,072,868	10,177,868
2025-2029	8,030,000	4,498,954	12,528,954
2030-2033	10,465,000	1,591,590	12,056,590
Total	$ 24,370,000	$ 18,923,069	$ 43,293,069

Certificates of Participation

2010 Issuance

In July 2010, the District issued $11,000,000 of certificates of participation, with interest of 5.44 percent for the acquisition, modernization improvement and construction of District facilities. The certificates of participation have semi-annual interest payments, with principal payments commencing in October 2023 through July 2027. As of June 30, 2014, the principal balance outstanding was $11,000,000. The certificates qualified as school construction bonds whereby the federal government will subsidize the interest obligation.

Scheduled payments for the COPs are as follows:

Fiscal Year	Principal	Interest	Total
2015	$ -	$ 598,400	$ 598,400
2016	-	598,400	598,400
2017	-	598,400	598,400
2018	-	598,400	598,400
2019	-	598,400	598,400
2020-2024	2,200,000	2,932,160	5,132,160
2025-2028	8,800,000	927,520	9,727,520
Total	$ 11,000,000	$ 6,851,680	$ 17,851,680

2013 Issuances

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

Scheduled payments for the COPs are as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 221,398	$ 228,578	$ 449,976
2016	234,797	220,751	455,548
2017	260,288	212,204	472,492
2018	287,525	202,743	490,268
2019	271,924	192,499	464,423
2020-2024	1,624,352	812,101	2,436,453
2025-2029	2,662,636	446,398	3,109,034
2030-2031	1,050,987	32,720	1,083,707
Total	$ 6,613,907	$ 2,347,994	$ 8,961,901

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to $230,275.

Preschool Revolving Facilities Loan

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

	Amount
Balance, July 1, 2013	$ 94,500
Payments	10,500
Balance, June 30, 2014	$ 84,000

The loan has minimum payments as follows:

Year Ending June 30,	Annaul Payment
2015	$ 10,500
2016	10,500
2017	10,500
2018	10,500
2019	10,500
2020-2022	31,500
Total	84,000
Less: Amount Representing Interest	-
Present Value of Minimum Lease Payments	$ 84,000

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was $2,118,697, and contributions made by the District during the year were $962,667. Interest on the net OPEB obligation and adjustments to the annual required contribution were $76,567 and $(71,444), respectively, which resulted in an increase to the net OPEB obligation of $1,161,153. As of June 30, 2014, the net OPEB obligation was $2,773,080. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	$ 5,003	$ -	$ 5,003
Stores inventories	-	45,844	45,844
Total Nonspendable	5,003	45,844	50,847
Restricted			
Legally restricted programs	3,543,703	1,250,112	4,793,815
Capital projects	-	388,054	388,054
Debt services	-	1,655,475	1,655,475
Total Restricted	3,543,703	3,293,641	6,837,344
Committed			
Deferred maintenance program	-	157	157
Total Committed	-	157	157
Assigned			
Pupil transportation	1,656	-	1,656
Capital projects	2,545,728	5	2,545,733
Total Assigned	2,547,384	5	2,547,389
Unassigned			
Remaining unassigned	1,647,202	-	1,647,202
Total Unassigned	1,647,202	-	1,647,202
Total	$ 7,743,292	$ 3,339,647	$ 11,082,939

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2014, the following District major fund exceeded the budgeted amounts in total as follows:

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General			
Certificated salaries	$ 29,297,158	$ 29,766,726	$ 469,568
Classified salaries	$ 7,985,642	$ 8,251,573	$ 265,931
Employee benefits	$ 18,192,125	$ 18,868,468	$ 676,343
Other outgo	$ 4,386,034	$ 4,926,891	$ 540,857
Capital outlay	$ 647,811	$ 949,748	$ 301,937

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

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

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Salinas Elementary Teachers' Council (SETC), the local California School Employee Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013-2014, the District contributed $962,667 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,118,697
Interest on net OPEB obligation	76,567
Adjustment to annual required contribution	(71,444)
Annual OPEB cost (expense)	2,123,820
Contributions made	(962,667)
Increase in net OPEB obligation	1,161,153
Net OPEB obligation, beginning of year	1,611,927
Net OPEB obligation, end of year	$ 2,773,080

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 2,123,820	$ 962,667	45%	$ 2,773,080
2013	2,121,642	1,436,253	68%	1,611,927
2012	1,511,292	1,184,772	78%	926,538

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the June 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were four percent. The UAAL is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was 25 years.

NOTE 13 - RISK MANAGEMENT

Property and Liability

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

Workers' Compensation

For fiscal year 2014, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MERMA. Participation in MERMA is limited to districts that can meet MERMA selection criteria.

Employee Medical Benefits

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were $2,328,081, $2,328,343, and $2,405,730, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were $937,575, $1,031,309, and $980,840, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,563,624 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

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

NOTE 16 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2014, the District made payments of $757,872 to MERMA for workers' compensation coverage.

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

During the year ended June 30, 2014, the District made payments of $12,557,696 to MCSIG for health and welfare coverage.

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

During the year ended June 30, 2014, the District made payments of $360,682 to MSBCLP for property and liability coverage.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year therefore eliminating the beginning unamortized balance of prepaid cost of issuance. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	Entity Wide
Net Position - Beginning	$ 50,274,594
Restatement for cost of issuance	(834,660)
Net Position - Beginning as Restated	$ 49,439,934

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REQUIRED SUPPLEMENTARY INFORMATION

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 44,703,080	$ 53,973,367	$ 56,919,714	$ 2,946,347
Federal sources	5,497,102	5,858,655	4,980,197	(878,458)
Other State sources	13,816,134	7,482,782	7,046,824	(435,958)
Other local sources	4,901,255	4,869,685	4,438,525	(431,160)
Total Revenues [1]	68,917,571	72,184,489	73,385,260	1,200,771
EXPENDITURES				
Current				
Certificated salaries	29,008,534	29,297,158	29,766,726	(469,568)
Classified salaries	7,668,544	7,985,642	8,251,573	(265,931)
Employee benefits	17,130,191	18,192,125	18,868,468	(676,343)
Books and supplies	4,481,826	4,775,148	3,696,900	1,078,248
Services and operating expenditures	6,069,440	6,995,066	5,525,932	1,469,134
Other outgo	5,346,593	4,386,034	4,926,891	(540,857)
Capital outlay	586,000	647,811	949,748	(301,937)
Total Expenditures [1]	70,291,128	72,278,984	71,986,238	292,746
Excess (Deficiency) of Revenues Over Expenditures	(1,373,557)	(94,495)	1,399,022	1,493,517
Other Financing Sources (Uses)				
Transfers out	-	(1,223,962)	-	1,223,962
Net Financing Sources (Uses)	-	(1,223,962)	-	1,223,962
NET CHANGE IN FUND BALANCES	(1,373,557)	(1,318,457)	1,399,022	2,717,479
Fund Balance - Beginning	6,344,270	6,344,270	6,344,270	-
Fund Balance - Ending	$ 4,970,713	$ 5,025,813	$ 7,743,292	$ 2,717,479

[1] On behalf payments are not included in the revenues and expenditures in this schedule.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2014

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

SUPPLEMENTARY INFORMATION

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A - Basic	84.010	14329	$ 2,276,701
Migrant Education programs			
Title I, Part C - Migrant Education, Regular	84.011	14326	555,724
Title I, Part C - Migrant Education, Summer	84.011	10005	157,461
Total Migrant Education programs			713,185
Title II, Part A - Improving Teacher Quality	84.367	14341	422,581
Title II, Part B - Ca. Mathematics and Science	84.366	14512	11,708
Title III, Limited English Proficient	84.365	10084	297,163
IDEA, Basic Local Assistance Entitlement	84.027	13379	1,071,183
Total U.S. Department of Education			4,792,521
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	187,677
Total U.S. Department of Health and Human Services			187,677
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	3,045,660
Especially Needy Breakfast	10.553	13526	520,217
Summer Food Program	10.559	13004	54,482
Food Distribution - Commodities	10.555	13391	298,053
Subtotal - Child Nutrition Cluster			3,918,412
Child and Adult Care Food Program	10.558	13666	461,178
Child Nutrition, Fresh Fruit and Vegetable Program	10.582	14968	149,649
Total U.S. Department of Agriculture			4,529,239
Total Expenditures of Federal Awards			$ 9,509,437

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2014

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Roberto Garcia	President	2017
Janet Barnes	Vice President	2015
Stephen Kim	Clerk	2017
Nathan Larison	Member	2015
Robert Foster Hoffman	Member	2017

ADMINISTRATION

Juvenal Luza, Ph.D.	Superintendent
Gerald Stratton	Assistant Superintendent, Business Services
Lori Sanders	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,128.13	5,135.86
Fourth through sixth	3,394.36	3,397.44
Total Regular ADA	8,522.49	8,533.30

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-1987 Minutes Requirement	Reduced 1986-1987 Minutes Requirement	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,440	180	N/A	Complied
Grade 2			50,440	180	N/A	Complied
Grade 3			50,440	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,040	180	N/A	Complied
Grade 5			54,040	180	N/A	Complied
Grade 6			54,050	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

	General Fund
FUND BALANCE	
Balance, June 30, 2014, Unaudited Actuals	$ 8,079,034
Increase in:	
Accounts receivable	436,019
Accounts payable	(771,761)
Balance, June 30, 2014, Audited Financial Statement	$ 7,743,292

See accompanying note to supplementary information.

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 [1]	2014	2013	2012
GENERAL FUND				
Revenues and transfers in [3]	$ 82,600,309	$ 74,948,883	$ 65,089,667	$ 65,519,593
Expenditures	80,742,180	73,549,862	67,066,803	68,678,600
Other uses and transfers out	-	-	45,244	-
Total Expenditures and Other Uses [3]	80,742,180	73,549,862	67,112,047	68,678,600
INCREASE/(DECREASE) IN FUND BALANCE	$ 1,858,129	$ 1,399,021	$ (2,022,380)	$ (3,159,007)
ENDING FUND BALANCE	$ 9,601,421	$ 7,743,292	$ 6,344,271	$ 8,366,651
AVAILABLE RESERVES [2]	$ 2,422,266	$ 1,647,202	$ 2,623,950	$ 3,352,096
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	2.2%	3.9%	4.9%
LONG-TERM OBLIGATIONS	Not Available	$ 45,071,262	$ 44,302,600	$ 36,916,904
AVERAGE DAILY ATTENDANCE AT P-2	8,623	8,522	8,337	8,105

The General Fund balance has decreased by $623,359 over the past two years. The fiscal year 2014-2015 budget projects an increase of $1,858,129 (24 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have increased by $8,154,358 over the past two years primarily due to the issuance of certificates of participation.

Average daily attendance has increased by 417 over the past two years. Additional growth of 101 ADA is anticipated during fiscal year 2014-2015.

[1] Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

[3] On behalf payments are not included in revenues and expenditures in this schedule.

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 9,726	$ 419,090	$ 157
Receivables	313,351	686,401	-
Due from other funds	-	6,432	-
Stores inventories	-	45,844	-
Total Assets	$ 323,077	$ 1,157,767	$ 157
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 18,756	$ 48,854	$ -
Due to other funds	109,989	215	-
Unearned revenue	7,074	-	-
Total Liabilities	135,819	49,069	-
Fund Balances:			
Nonspendable	-	45,844	-
Restricted	187,258	1,062,854	-
Committed	-	-	157
Assigned	-	-	-
Total Fund Balances	187,258	1,108,698	157
Total Liabilities and Fund Balances	$ 323,077	$ 1,157,767	$ 157

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
$ 72,793	$ 119,380	$ 250,909	$ 5	$ 926,463
85	138	388	-	-
-	-	-	-	-
-	-	-	-	-
$ 72,878	$ 119,518	$ 251,297	$ 5	$ 926,463
$ -	$ -	$ 55,639	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	55,639	-	-
-	-	-	-	-
72,878	119,518	195,658	-	926,463
-	-	-	-	-
-	-	-	5	-
72,878	119,518	195,658	5	926,463
$ 72,878	$ 119,518	$ 251,297	$ 5	$ 926,463

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, Continued
JUNE 30, 2014

	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS		
Deposits and investments	$ 728,144	$ 2,526,667
Receivables	868	1,001,231
Due from other funds	-	6,432
Stores inventories	-	45,844
Total Assets	$ 729,012	$ 3,580,174
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ -	$ 123,249
Due to other funds	-	110,204
Unearned revenue	-	7,074
Total Liabilities	-	240,527
Fund Balances:		
Nonspendable	-	45,844
Restricted	729,012	3,293,641
Committed	-	157
Assigned	-	5
Total Fund Balances	729,012	3,339,647
Total Liabilities and Fund Balances	$ 729,012	$ 3,580,174

See accompanying note to supplementary information.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ -	$ 4,231,185	$ -
Other State sources	1,125,477	281,615	-
Other local sources	414,567	403,103	10
Total Revenues	1,540,044	4,915,903	10
EXPENDITURES			
Current			
Instruction	811,895	-	-
Instruction-related activities:			
Supervision of instruction	2,105	-	-
School site administration	91,164	-	-
Pupil services:			
Food services	-	4,604,295	-
All other pupil services	182,851	-	-
Administration:			
All other administration	23,375	108,312	-
Plant services	11,728	-	2,919
Facility acquisition and construction	-	-	-
Enterprise services	302,356	-	-
Debt service			
Principal	10,500	-	-
Interest and other	-	-	-
Total Expenditures	1,435,974	4,712,607	2,919
NET CHANGE IN FUND BALANCES	104,070	203,296	(2,909)
Fund Balance - Beginning	83,188	905,402	3,066
Fund Balance - Ending	$ 187,258	$ 1,108,698	$ 157

See accompanying note to supplementary information.

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	16,587
	386	19,374	5,438	34	1,692,384
	386	19,374	5,438	34	1,708,971
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	534	-	-	-
	691	33,180	-	-	-
	4,613,670	-	1,787,463	27,228	-
	-	-	-	-	-
	-	-	-	-	190,000
	-	-	-	-	1,395,245
	4,614,361	33,714	1,787,463	27,228	1,585,245
	(4,613,975)	(14,340)	(1,782,025)	(27,194)	123,726
	4,686,853	133,858	1,977,683	27,199	802,737
	$ 72,878	$ 119,518	$ 195,658	$ 5	$ 926,463

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES		
Federal sources	$ 550,828	$ 4,782,013
Other State sources	-	1,423,679
Other local sources	4,165	2,539,461
Total Revenues	554,993	8,745,153
EXPENDITURES		
Current		
Instruction	-	811,895
Instruction-related activities:		
Supervision of instruction	-	2,105
School site administration	-	91,164
Pupil services:		
Food services	-	4,604,295
All other pupil services	-	182,851
Administration:		
All other administration	-	132,221
Plant services	-	48,518
Facility acquisition and construction	-	6,428,361
Enterprise services	-	302,356
Debt service		
Principal	109,159	309,659
Interest and other	818,388	2,213,633
Total Expenditures	927,547	15,127,058
NET CHANGE IN FUND BALANCES	(372,554)	(6,381,905)
Fund Balance - Beginning	1,101,566	9,721,552
Fund Balance - Ending	$ 729,012	$ 3,339,647

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 9,762,210
Reconciling items:		
Food Distribution - Commodities	10.555	298,053
Federal interest subsidy	Unknown	(550,826)
Total Schedule of Expenditures of Federal Awards		$ 9,509,437

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Salinas City Elementary School District
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas City Elementary School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Salinas City Elementary School District's basic financial statements, and have issued our report thereon dated December 15, 2014.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Salinas City Elementary School District in a separate letter dated December 15, 2014.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 15, 2014

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

Governing Board
Salinas City Elementary School District
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited Salinas City Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salinas City Elementary School District's (the District) major Federal programs for the year ended June 30, 2014. Salinas City Elementary School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salinas City Elementary School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Salinas City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Salinas City Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 15, 2014

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Salinas City Elementary School District
Salinas, California

Report on State Compliance

We have audited Salinas City Elementary School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Salinas City Elementary School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Salinas City Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Salinas City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Salinas City Elementary School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Salinas City Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for independent study because the independent study ADA was under the level that requires testing. Additionally, we did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any of the California Clean Energy Jobs Act funding received.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 15, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.365	Title III, Limited English Proficient
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

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

Financial Statement Findings

2013-1 60000

Internal Control Over Financial Reporting

Criteria

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

Condition

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

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

vtd

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

Governing Board
Salinas City Elementary School District
Salinas, California

In planning and performing our audit of the financial statements of Salinas City Elementary School District, for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2014, on the government-wide financial statements of the District.

DISTRICT OFFICE AND SCHOOL SITES

Cash Receipts

Observation

During our audit of the cash receipting procedures, we discovered various weaknesses as follows:

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

Extended Day Care:

- There is a lack of segregation of duties between collecting funds and recording the payments to student accounts. The current procedure would allow a payment to be stolen, the child's account updated as if the payment was properly posted with no one being aware.
- There were inconsistent receipting or logging procedures for payments made to student accounts. Parents have the option to make payments via drop boxes at several locations. When district personnel collect the payments from the drop box, no immediate logging of the payment occurs.

Recommendation

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

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Extended Day Care and Smart Start Program:

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

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 15, 2014