

SHORELINE UNIFIED SCHOOL DISTRICT
COUNTY OF MARIN
TOMALES, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

SHORELINE UNIFIED SCHOOL DISTRICT

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Assets - Fiduciary Funds	19
Statement of Changes in Net Assets - Fiduciary Funds	20
Notes to Financial Statements	21
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual - General Fund	45

SHORELINE UNIFIED SCHOOL DISTRICT

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Governing Board/Administration	46
Schedule of Average Daily Attendance	47
Schedule of Instructional Time	48
Schedule of Charter Schools	49
Schedule of Expenditures of Federal Awards	50
Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements	51
Schedule of Financial Trends and Analysis	52
Combining Statements - Non-Major Governmental Funds:	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	54
Combining Statement of Changes in Assets and Liabilities - Agency Funds - Student Body	55
Notes to Supplementary Information	56
<u>OTHER INDEPENDENT AUDITOR'S REPORT SECTION</u>	
Report on State Compliance	57
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material effect on each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	61

SHORELINE UNIFIED SCHOOL DISTRICT

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Audit Findings and Questioned Costs	63
Section I - Summary of Auditor's Results	63
Section II - Financial Statement Findings	64
Section III - Federal Award Findings and Questioned Costs	67
Section IV - State Award Findings and Questioned Costs	67
Summary Schedule of Prior Year Audit Findings	69

FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Shoreline Unified School District
Tomales, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


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

As discussed in Note 12C, the District is involved as the defendant in a lawsuit filed against the District. The District is currently negotiating a settlement which management believes if accepted would be material to the financial statements. The ultimate loss to the District as agreed to by the plaintiff, or as awarded in trial if the parties are unable to negotiate a settlement could be greater than the amount currently proposed by the District. The negotiations are confidential and any potential District loss, including the amount currently proposed by the District for settlement, has not been accrued as a liability by the District at June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 12 and 45 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shoreline Unified School District's financial statements as a whole. The accompanying statistical schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Shoreline Unified School District. The statistical schedules, the schedule of expenditures of federal awards and the combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The discussion and analysis of Shoreline Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The District basic aid status in 2009-10 continues with property taxes collected exceeding the calculated revenue limit by \$3,119,260.
- The District received \$1,766,598 in Federal Impact Aid in 2009-10 as compared to \$1,175,854 in 2008-09, an increase of \$590,744. Federal Impact Aid fluctuates significantly from year to year based on distributions made by the U.S. Department of Education.
- General Fund revenues and other sources exceeded expenditures and other uses by \$901,533, ending the year with available reserves of \$2,369,691, which is higher than the State recommended reserve level of 4% of total General Fund outgo.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$31,446,482. After depreciation, the June 30, 2010, book value for fixed assets totaled \$14,284,751.

SHORELINE UNIFIED SCHOOL DISTRICT

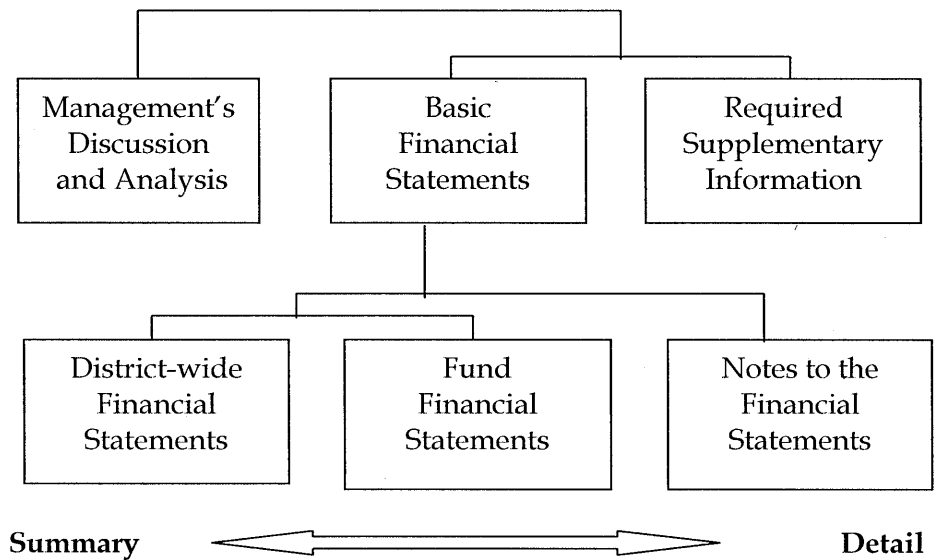
MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Shoreline Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District’s more significant funds with all other non-major funds presented in total in one column. A comparison of the District’s general fund budget is included.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2009-10?"

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- ◆ Increases or decreases in the net assets of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. 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.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net assets were \$8.1 million at June 30, 2010. Of this amount \$2.7 million was unrestricted. Investments in capital assets, net of related debt, account for \$(745) thousand of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

**(Table 1)
Comparative Statement of Net Assets**

	Governmental Activities	
	2010	Restated 2009
Assets		
Cash	\$ 9,390,431	\$ 2,880,865
Receivables	338,062	457,254
Stores inventory	216	216
Prepaid expenses	400	
Capital assets	14,284,751	14,810,796
Total assets	<u>\$ 24,013,860</u>	<u>\$ 18,149,131</u>
Liabilities		
Accounts payable and other current liabilities	\$ 686,536	\$ 480,418
Deferred revenue	1,998	82,137
Long-term liabilities	15,207,633	9,820,033
Total liabilities	<u>\$ 15,896,167</u>	<u>\$ 10,382,588</u>
Net Assets		
Invested in capital assets, net of related debt	\$ (745,249)	\$ 5,040,371
Restricted	6,199,719	1,209,841
Unrestricted	2,663,223	1,516,331
Total net assets	<u>\$ 8,117,693</u>	<u>\$ 7,766,543</u>

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position increased \$351 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 79% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 15% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

(Table 2)
Comparative Statement of Change in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program revenues	\$ 1,580,600	\$ 1,475,623
General revenues		
Taxes levied for general purposes	6,654,332	6,516,424
Taxes levied for debt service	506,510	493,723
Taxes levied for other specific purposes	817,779	793,973
Federal and State Aid not restricted to specific purposes	2,189,703	1,651,435
Interest and investment earnings	34,529	70,539
Interagency revenues	23,251	39,852
Extraordinary items	154,229	
Miscellaneous	94,138	408,986
Total revenues	<u>12,055,071</u>	<u>11,450,555</u>
Expenses		
Instruction	6,850,340	7,464,839
Instruction related services	941,341	1,011,421
Pupil support services	1,486,289	1,681,088
General administration	1,817,373	857,304
Plant services	158,640	1,178,236
Other	449,938	736,925
Total expenses	<u>11,703,921</u>	<u>12,929,813</u>
Increase (Decrease) in net assets	<u>\$ 351,150</u>	<u>\$ (1,479,258)</u>

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

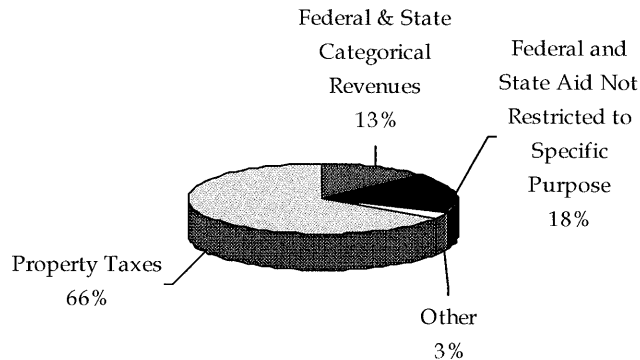
JUNE 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

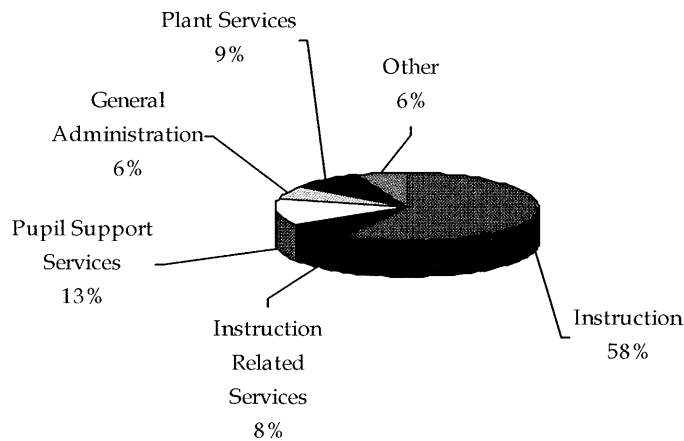
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$11.7 million. The amount that our local taxpayers financed for these activities through property taxes was \$7.9 million. Federal and state aid not restricted to specific purposes totaled \$2.2 million. State and Federal Categorical revenue totaled over \$1.5 million, and covered 14% of the expenses of the entire District (See Figure 1).

**Sources of Revenue for the 2009-10 Fiscal Year
Figure 1**



**Expenses for the 2009-10 Fiscal Year
Figure 2**



SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$9,174,844, an increase of \$6,264,425 from the previous fiscal year's combined ending balance of \$2,910,419. This increase is mostly reflected in the Building Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments as vacant positions were filled.
- ◆ Budget revisions to update for salary increases.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories.

The final revised budget for the General Fund reflected a net increase to the ending balance of \$198,906.

The District ended the year with an increase of \$901,533 to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 4%. The District's ending reserve was 23% which included this reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the 2009-10 fiscal year, the District expended \$413 thousand in a broad range of capital assets, including school buildings, multi-use facilities, site improvements, vehicles, and equipment. The decrease in total capital assets, net of depreciation and disposals was \$526 thousand.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2010 and 2009

	2010	Restated 2009	Difference
Land	\$ 829,201	\$ 829,201	
Site Improvement	264,002	469,006	\$ (205,004)
Buildings	12,427,225	13,066,181	(638,956)
Machinery & Equipment	350,729	446,408	(95,679)
Work in Progress	413,594		413,594
	<u>\$ 14,284,751</u>	<u>\$ 14,810,796</u>	<u>\$ (526,045)</u>

Long-Term Debt

At June 30, 2010, the District had \$15.2 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2010 and 2009

	2010	2009
General Obligation Bonds	\$ 15,030,000	\$ 5,965,000
Certificates of Participation		3,600,000
Other Post Employment Benefits	99,527	49,608
Early Retirement Incentives	78,106	205,425
	<u>\$ 15,207,633</u>	<u>\$ 9,820,033</u>

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The long-term debt paid by the District was approximately 3.9 million in 2009-10.

FACTORS BEARING ON THE DISTRICT'S FUTURE

For the year 2009-10, the District remains in basic aid status. This means that the property tax collections exceeded the calculated revenue limit. It is anticipated that this trend will continue with the gap between taxes and the revenue limit calculation increasing each year. This is the result of property taxes increasing and enrollment declining.

The latest enrollment projections indicate a continual decrease in enrollment at both the elementary and secondary levels for the next school year. Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California.

The District continues to receive Federal Impact Aid because of the federal property within the district's boundaries and the students in the district that are federally connected. Over the last few years, the District has received a significant fluctuation in the annual amounts received from this source. The District received \$1,175,854 in 2008-09 and \$1,766,598 in 2009-10.

The District has a parcel tax of \$164.22 per parcel in 2009-10 with a 4% inflation factor added each year. The parcel tax was recently passed again by the voters through June 30, 2013. The parcel tax is used to enhance programs in the areas of art, library, computers, PE, music, counseling, drama, industrial arts, nutrition education, and field trips. In 2009-10, the parcel tax generated revenue of \$817,779.

The District benefits when the State economy is strong by receiving additional revenue from new programs. When the State economy is in a decline, the District is protected somewhat by being in basic aid status.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Susan Skipp, Chief Business Official, Shoreline Unified School District.

SHORELINE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash (Note 2)	\$ 9,390,431
Accounts Receivable (Note 4)	338,062
Stores Inventory (Note 1H)	216
Total Capital Assets, Net of Depreciation (Note 6)	<u>14,284,751</u>
Total Assets	<u>\$ 24,013,860</u>
 <u>LIABILITIES</u>	
Accounts Payable and Other Current Liabilities	\$ 686,536
Deferred Revenue (Note 1H)	1,998
Long-term Liabilities (Note 9)	
Total Due Within One Year	\$ 246,158
Total Due After One Year	<u>14,961,475</u>
Total Long-term Liabilities	<u>15,207,633</u>
Total Liabilities	<u>\$ 15,896,167</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ (745,249)
Restricted For:	
Capital Projects	5,526,025
Debt Service	419,489
Education Programs	254,205
Unrestricted	<u>2,663,223</u>
Total Net Assets	<u>\$ 8,117,693</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Governmental Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 6,850,340		\$ 776,713	\$ (6,073,627)
Instruction-related services:				
Instructional library, media and technology	3,691			(3,691)
School site administration	937,650		25,534	(912,116)
Pupil Services:				
Home-to school transportation	891,346	\$ 25,689	530,979	(334,678)
Food services	248,788		113,077	(135,711)
All other pupil services	346,155		50,380	(295,775)
General administration:				
Data processing	745,836	284	21,930	(723,622)
All other general administration	1,071,537	150	3,151	(1,068,236)
Plant services	158,640		429	(158,211)
Community services	28,225		27,602	(623)
Interest on long-term debt	364,518			(364,518)
Other Outgo	57,195		4,682	(52,513)
Total Governmental Activities	\$ 11,703,921	\$ 26,123	\$ 1,554,477	(10,123,321)

General Revenues:

Property Taxes Levied For:

General Purposes	6,654,332
Other Specific Purposes	817,779
Debt Service	506,510

Federal and State Aid not Restricted
to Specific Purposes

2,189,703

Interest and Investment Earnings

34,529

Interagency revenues

23,251

Extraordinary Items

154,229

Miscellaneous

94,138

Total General Revenues

10,474,471

Change in Net Assets

351,150

Net Assets Beginning (Restated - Note 14)

7,766,543

Net Assets Ending

\$ 8,117,693

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash in County Treasury (Note 2)	\$ 2,905,521	\$ 5,681,222	\$ 800,688	\$ 9,387,431
Cash in Revolving Fund (Note 2)	3,000			3,000
Accounts Receivable (Note 4)	320,406		17,656	338,062
Due From Other Funds (Note 5)			180,355	180,355
Stores Inventory (Note 1H)			216	216
Prepaid Expenses (Note 1H)	400			400
Total Assets	<u>\$ 3,229,327</u>	<u>\$ 5,681,222</u>	<u>\$ 998,915</u>	<u>\$ 9,909,464</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 295,033	\$ 256,523	\$ 711	\$ 552,267
Deferred Revenue (Note 1H)	1,998			1,998
Due to Other Funds (Note 5)	180,355			180,355
Total Liabilities	<u>477,386</u>	<u>256,523</u>	<u>711</u>	<u>734,620</u>
Fund Balances (Note 1H):				
Reserved	257,605		419,705	677,310
Unreserved:				
Designated	536,903			536,903
Undesignated	1,957,433	5,424,699	578,499	7,960,631
Total Fund Balances	<u>2,751,941</u>	<u>5,424,699</u>	<u>998,204</u>	<u>9,174,844</u>
Total Liabilities and Fund Balances	<u>\$ 3,229,327</u>	<u>\$ 5,681,222</u>	<u>\$ 998,915</u>	<u>\$ 9,909,464</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance - governmental funds \$ 9,174,844

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including Capital assets and Accumulated depreciation).	\$ 31,446,482	
	<u>(17,161,731)</u>	
Net		14,284,751

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(134,269)
---	--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds	\$15,030,000	
Other postemployment benefits payable	99,527	
Early Retirement Incentives	<u>78,106</u>	
		<u>(15,207,633)</u>

Total net assets-governmental activities \$ 8,117,693

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Building	Other Governmental Funds	Total Governmental Funds
REVENUES				
Revenue Limit Sources:				
State Apportionments	\$ (18,940)			\$ (18,940)
Local Sources	6,654,332			6,654,332
Total Revenue Limit	6,635,392			6,635,392
Federal Revenue	2,180,492		\$ 113,077	2,293,569
Other State Revenue	1,153,473		11,131	1,164,604
Other Local Revenue	1,238,615	\$ 200	568,458	1,807,273
Total Revenues	11,207,972	200	692,666	11,900,838
EXPENDITURES				
Certificated Salaries	4,260,360			4,260,360
Classified Salaries	1,926,060		83,982	2,010,042
Employee Benefits	2,070,007		43,604	2,113,611
Books and Supplies	365,516		116,788	482,304
Services and Other				
Operating Expenditures	1,300,895	10,150	12,323	1,323,368
Capital Outlay	305	409,579	4,014	413,898
Debt Service:				
Principal Retirement			3,825,000	3,825,000
Interest and Fiscal Charges	75,746		289,142	364,888
Other Outgo	57,195			57,195
Total Expenditures	10,056,084	419,729	4,374,853	14,850,666
Excess of Revenues Over (Under) Expenditures	1,151,888	(419,529)	(3,682,187)	(2,949,828)
Other Financing Sources (Uses):				
Operating Transfers In (Note 5)			250,355	250,355
Operating Transfers Out (Note 5)	(250,355)			(250,355)
Other Sources		5,844,228	3,445,772	9,290,000
Other Uses			(75,747)	(75,747)
Total Other Financing Sources (Uses)	(250,355)	5,844,228	3,620,380	9,214,253
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	901,533	5,424,699	(61,807)	6,264,425
Fund Balances - July 1, 2009	1,850,408	0	1,060,011	2,910,419
Fund Balances - June 30, 2010	<u>\$ 2,751,941</u>	<u>\$ 5,424,699</u>	<u>\$ 998,204</u>	<u>\$ 9,174,844</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - Total governmental funds \$ 6,264,425

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 413,594	
Depreciation expense:	<u>(939,639)</u>	(526,045)

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (9,290,000)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 3,825,000

Unmatured interest on long-term debt: In governmental funds interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period owing from the prior period, was: 370

Post Employment 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: (49,919)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. This year, expenses incurred for such obligations were: (127,319)

Total change in net assets-governmental activities \$ 351,150

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Expendable Trust	
	Foundation Trust Fund	Agency Fund
<u>ASSETS</u>		
Cash in County Treasury (Note 2)	\$ 151,877	
Cash on Hand and in Bank (Note 2)		\$ 85,337
Total Assets	\$ 151,877	\$ 85,337
 <u>LIABILITIES</u>		
Liabilities:		
Due to Student Groups		\$ 85,337
Total Liabilities		\$ 85,337
 <u>NET ASSETS</u>		
Reserved for Scholarships	\$ 151,877	\$ 0
Total Net Assets	\$ 151,877	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Expendable Trust
	Foundation Trust Fund
Additions	
Interest Income	\$ 1,200
Other Local Revenue	82,372
	83,572
Deductions	
Scholarships awarded	49,250
Change in Net Assets	34,322
Net assets - July 1, 2009	117,555
	151,877
Net assets - June 30, 2010	\$ 151,877

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The District includes all funds that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

MAJOR GOVERNMENTAL FUNDS:

1. General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Building Fund is used to account for major governmental capital facilities and buildings from the sale of bond proceeds.

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue fund:

1. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
2. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property. The fund includes amounts received from state apportionments and District matching funds to provide additional resources for repairs and replacement of District property.
3. Special Reserve Fund for Postemployment Benefits was established in 2008-09 pursuant to Education Code Section 42840 to account for amounts the District has encumbered for the future cost of postemployment benefits.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains one non-major capital projects fund:

1. Special Reserve Fund for Capital Outlay Projects is used to account for special capital projects as designated by the Board of Education.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The District maintains one non-major debt service fund:

1. Bond Interest and Redemption Fund, which is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Foundation Trust Fund, which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds, one for each Student Body account, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised are presented for the General Fund and major Special Revenue Funds as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

F. Encumbrances

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

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's cafeteria inventory valuation is First-in-First-out (FIFO).

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures (Concluded)

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the benefited period.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

All vacation pay is accrued and paid when incurred in the government-wide financial statements. No liability for these amounts is reported in the governmental funds as no carryover of unused vacation occurs.

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

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Balance Reserves and Designations

The District's fund balances at June 30, 2010 consisted of the following:

	General Fund	Building Fund	Other Governmental Funds	Total
Reserved For:				
Revolving Fund	\$ 3,000			\$ 3,000
Stores Inventory			\$ 216	216
Prepaid Expenses	400			400
Debt Service			419,489	419,489
Legally Restricted Balances	254,205			254,205
Unreserved:				
Designated for:				
Economic Uncertainties	412,258			412,258
Other Program Carryovers	124,645			124,645
Undesignated, Reported in:				
General Fund	1,957,433			1,957,433
Special Revenue Funds			477,173	477,173
Capital Projects Funds		\$ 5,424,699	101,326	5,526,025
Total Fund Balances	<u>\$ 2,751,941</u>	<u>\$ 5,424,699</u>	<u>\$ 998,204</u>	<u>\$ 9,174,844</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

9. Fund Balance Reserves and Designations (Concluded)

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund, reserve for stores inventory and reserve for prepaid expenses reflects the portions of fund balance represented by revolving fund cash, stores inventory and prepaid expenses, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

10. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - CASH AND INVESTMENTS

A. Cash

The District had the following cash at June 30, 2010:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash on Hand and in Bank	\$ 85,337	\$ 85,337	Not Rated
Cash in Revolving Fund	3,000	3,000	Not Rated
Cash in County Treasury	9,554,087	9,539,308	Not Rated
Total Cash	\$ 9,642,424	\$ 9,627,645	

Cash on Hand, In Banks and in Revolving Fund

Cash balances on hand, in banks, and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2010, the carrying amount of the District's accounts was \$88,337, all of which was collateralized or insured with securities held by the pledging financial institution in the District's name as discussed in the following:

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the District cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. *(The District, however, has not waived the collateralization requirements.)*

The District follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A. Cash (Concluded)

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled \$9,539,308 as of June 30, 2010. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$9,554,087. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

B. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2010:

<u>Government-Wide Statement of Net Assets</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
<u>\$9,390,431</u>	<u>\$237,214</u>	<u>\$9,627,645</u>

C. Risk Disclosures

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District has not adopted a deposit policy for custodial credit risk. As of June 30, 2010, no amount was exposed to custodial credit risk.

At June 30, 2010, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>More than 2</u>
County Treasury	<u>\$9,554,087</u>	<u>\$6,995,503</u>	<u>\$571,334</u>	<u>\$1,987,250</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organization (NRSRO's). It is in the District's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's, and Moody's Investors Services. At June 30, 2010, the District credit risks are as follows:

<u>Credit Quality Distributions for Securities with Credit Exposure</u>		
<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S & P's Rating</u>
Cash in County Treasury	Not Rated	Not Rated

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual governmental funds as of June 30, 2010 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Funds:	
General Fund	
Capital Outlay	\$ 305
Building Fund	
Contract Services	10,150
Non-Major Funds:	
Cafeteria Fund	
Classified Salaries	6,343
Contract Services	256
Special Reserve Fund for Capital Outlay Projects	
Debt Service - Principal	3,600,000
Other Uses	229,975
Bond Interest and Redemption Fund	
Debt Service - Principal	15,000

The District incurred unanticipated expenditures for which the budgets were not revised. The District did not adjust the budget in the Special Reserve Fund for Capital Outlay Projects for the proceeds received for the issuance of General Obligation Bonds and deposited into an escrow fund for the redemption of the District's 2007 Certificates of Participation issued on June 21, 2007.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 consist of the following:

	General Fund	All Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs	\$ 125,255	\$ 17,225	\$ 142,480
State Government			
Categorical Aid Programs	29,137		29,137
Lottery	17,006		17,006
Other	30,199		30,199
Total State Government	76,342	0	76,342
Local Government	87,589		87,589
Miscellaneous	31,220	431	31,651
Total Accounts Receivable	<u>\$ 320,406</u>	<u>\$ 17,656</u>	<u>\$ 338,062</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2009-2010 fiscal year were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 250,355
Non-Major Governmental Funds:		
Cafeteria Fund	\$ 70,000	
Deferred Maintenance Fund	<u>180,355</u>	
Total	<u>\$ 250,355</u>	<u>\$ 250,355</u>

Transfer of \$180,355 from General Fund to the Deferred Maintenance Fund to provide resources for projects.

Transfer of \$70,000 from the General Fund to the Cafeteria Fund to cover cash flow shortages.

Interfund Receivables and Payables

Individual fund interfund receivables and payable balances at June 30, 2010 are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		\$ 180,355
Deferred Maintenance Fund	\$ 180,355	
Total	<u>\$ 180,355</u>	<u>\$ 180,355</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010, is shown below:

	Restated Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 829,201			\$ 829,201
Work in progress		\$ 413,594		413,594
Total capital assets, not being depreciated	<u>829,201</u>	<u>413,594</u>		<u>1,242,795</u>
Capital assets being depreciated:				
Buildings	25,094,146			25,094,146
Site Improvements	3,318,475			3,318,475
Equipment	1,791,066			1,791,066
Total capital assets, being depreciated	<u>30,203,687</u>	<u>0</u>		<u>30,203,687</u>
Less accumulated depreciation for:				
Buildings	12,027,965	638,956		12,666,921
Site Improvements	2,849,469	205,004		3,054,473
Equipment	1,344,658	95,679		1,440,337
Total accumulated depreciation	<u>16,222,092</u>	<u>939,639</u>		<u>17,161,731</u>
Total capital assets, being depreciated, net	<u>13,981,595</u>	<u>(939,639)</u>		<u>13,041,956</u>
Governmental activities capital assets, net	<u>\$ 14,810,796</u>	<u>\$ (526,045)</u>	<u>\$ 0</u>	<u>\$ 14,284,751</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 721,760
School site administration	151
Home-to-school transportation	72,711
Ancillary services	6,411
All other general administration	27,159
Plant services	111,447
Total	<u>\$ 939,639</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7- GENERAL OBLIGATION BONDS

On November 7, 2000, the District received authorization from its voters to issue \$7 million of General Obligations Bonds. The District issued \$3,370,000 of Series 2001 Bonds on June 1, 2001. The District issued \$3,630,000 of Series 2002 Bonds on May 29, 2002. The proceeds of the bonds are to be used to construct and modernize school facilities, including libraries, computer labs and multi-use rooms for school and community use; repair aging infrastructure such as worn-out electrical and heating systems and restrooms; and construct permanent classrooms to replace aging portables.

During 2007-2008 the District issued General Obligation Bonds, Election of 2009 Series 2010, in the aggregate principal amount of \$9,290,000 with interest ranging from 3.0% to 4.8% for the purpose of refinancing improvements made to its school facilities by refunding a portion of the District's Certificates of Participation Series 2007, and to pay costs of issuance of bonds. The final maturity date of the bonds is August 1, 2035.

The outstanding general obligation bonded debt of the Shoreline Unified School District as of June 30, 2010 is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2010
2001	4.5-8.0	2026	\$ 3,370,000	\$ 2,795,000		\$ 110,000	\$ 2,685,000
2002	4.25-5.25	2027	3,630,000	3,170,000		115,000	3,055,000
2010	3.0-4.8	2036	9,290,000		\$ 9,290,000		9,290,000
Totals			<u>\$ 16,290,000</u>	<u>\$ 5,965,000</u>	<u>\$ 9,290,000</u>	<u>\$ 225,000</u>	<u>\$ 15,030,000</u>

The annual requirement to amortize general obligation bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 235,000	\$ 578,796	\$ 813,796
2012	380,000	662,924	1,042,924
2013	505,000	644,768	1,149,768
2014	525,000	623,924	1,148,924
2015	540,000	606,193	1,146,193
2016-2020	3,040,000	2,680,856	5,720,856
2021-2025	3,770,000	1,933,235	5,703,235
2026-2030	2,835,000	1,045,900	3,880,900
2031-2035	2,605,000	463,078	3,068,078
2036	595,000	14,280	609,280
Totals	<u>\$ 15,030,000</u>	<u>\$ 9,253,954</u>	<u>\$ 24,283,954</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - CERTIFICATES OF PARTICIPATION

On May 17, 2007, the Shoreline Unified School District issued certificates of participation in the amount of \$3,600,000. The proceeds of this issue were used for construction and acquisition of capital equipment.

Year of Issue	Interest Rate	Maturity Date	Original Issue	Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2010
2007	3.85-4.45	2037	\$ 3,600,000	\$ 3,600,000	\$ 0	\$ 3,600,000	\$ 0

As described above, the District has defeased the certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore the deferred debt removed as a liability from the District's government-wide financial statements.

NOTE 9 - LONG-TERM DEBT

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
General Obligation Bonds Payable	\$ 5,965,000	\$ 9,290,000	\$ 225,000	\$ 15,030,000	\$ 235,000
Certificates of Participation	3,600,000		3,600,000	0	
Other Post Employment Benefits	49,608	207,773	157,854	99,527	
Early Retirement Incentives	205,425		127,319	78,106	11,158
Totals	\$ 9,820,033	\$ 9,497,773	\$ 4,110,173	\$ 15,207,633	\$ 246,158

General Obligation Bond payments will be made from the Bond Interest and Redemption Fund with local property taxes. The Early Retirement Incentives and Other Post Employment Benefits will be paid from the General Fund.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

The Shoreline Unified School District accounts for postemployment benefits under GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension. This accounting requires the District to report its liability for other postemployment benefits (OPEB) consistent with newly established generally accepted accounting principles by reflecting an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description

The District provides retiree health benefits based on age and service. Following is a description of the current retiree benefit plan. Two (2) retirees are entitled to benefits under prior grandfathered plans.

Benefits types provided	Medical, Vision, Dental
Duration of Benefits	To age 65
Required Service	12 years*
Minimum Age	55
Dependent coverage	No
District Contribution %	100%
District Cap:	
Medical	Kaiser High Plan Option
Vision	None
Dental	None

* 5 years if hired before July 1, 2007.

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method). However, at June 30, 2010, the District designated \$110,533 in the Special Reserve Fund for Postemployment Benefits for the payment of future postemployment benefits.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)*Annual OPEB Cost*

For fiscal year ended June 30, 2010, the District's annual OPEB cost (expense) was \$207,773. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the first two years of implementing the standard was as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$207,763	76%	\$49,918
2009 (transition year)	\$207,462	76%	\$49,608

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	\$213,700
Interest on OPEB Obligation	9,335
Adjustment to annual required contribution	<u>(15,262)</u>
Annual OPEB cost (expense)	207,773
Payments made	<u>(157,854)</u>
Increase in net OPEB obligation	49,919
Net OPEB obligation-beginning of year	<u>49,608</u>
Net OPEB obligation-end of year	<u>\$ 99,527</u>

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,515,906, all of which is unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

Funding Status and Funding Progress (Concluded)

The funded status of the plan as of July 1, 2007 was as follows:

Actuarial accrued liability (AAL)	\$1,515,906
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,515,906</u>
Funded ratio (actuarial value of plan assets/ AAL)	0.00%

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 benefits 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 July 1, 2007, actuarial valuation, the "projected unit credit" actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return, an annual healthcare cost trend rate of 10% per year, and an assumed payroll increase rate of 3.00%. The UAAL is being amortized using the level percentage of projected payroll method using a 20 year amortization period. The remaining amortization period at June 30, 2010, was nineteen years.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

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

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the Shoreline Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Shoreline Unified School District's contributions to STRS for the fiscal year ending June 30, 2010, 2009, and 2008 were \$347,297, \$380,804 and \$373,907, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Shoreline Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the Shoreline Unified School 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 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by State statute. The Shoreline Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2010, 2009 and 2008 were \$178,057, \$196,293 and \$189,367, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2010. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

E. Early Retirement Incentive Program

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714, 22714.5 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

The District has determined that the formal action taken would result in a net savings to the District.

Future payments excluding interest and administrative costs for the two employees that retired in 2008-2009 are \$78,106 and are reported as long-term debt by the District in the Government-Wide Statement of Net Assets.

<u>Year Ending June 30</u>	<u>Annual Costs</u>
2011	\$ 11,158
2012	11,158
2013	11,158
2014	11,158
2015	11,158
2016-2017	<u>22,316</u>
Total	<u>\$ 78,106</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Joint Ventures

The District participates in a joint venture under a joint power agreement (JPA) with Redwood Empire Schools Insurance Group (RESIG). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

C. Loss Contingency

The District is a defendant in a lawsuit filed by the family of a District student. The District has proposed a settlement, based on the advice of the District's attorneys, which is not currently considered public available information. According to management, the proposed settlement amount is material to the District's financial statements and will allow payments, yet to be determined. It should also be noted that if the settlement offer is not accepted by the plaintiff and the case goes to trial, the amount of ultimate loss to the District could exceed the amount currently proposed. Although the amount of the proposed settlement is not currently public available information, the financial exposure to the District if this matter went to hearing would exceed the materiality threshold for reporting, and could significantly exceed that amount. The District's initial payment under the proposed settlement would also exceed the materiality threshold. An accrual of the ultimate loss to the District is not included in these financial statements.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 13 - STUDENT BODY FUNDS

The Student Body often engage in activities which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 14 - RESTATEMENT OF NET ASSETS

The amounts previously reported as net assets at June 30, 2009 on the Government-Wide Statement of Net Assets have been restated due to the overstatement of fixed assets. The effect of this restatement is a decrease in the June 30, 2009 net assets of \$241,764 as follows:

	<u>Government-Wide Financial Statements</u>
Net Assets June 30, 2009, as originally reported	\$8,008,307
Understatement of Accumulated Depreciation	<u>(241,764)</u>
Restated Net Assets as of June 30, 2009	<u>\$7,766,543</u>

REQUIRED SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive- (Negative)
	Original	Final		
<u>REVENUES</u>				
Revenue Limit Sources:				
State Apportionments	\$ (18,096)	\$ (18,961)	\$ (18,940)	\$ 21
Local Sources	6,909,887	6,550,456	6,654,332	103,876
Total Revenue Limit	6,891,791	6,531,495	6,635,392	103,897
Federal Revenue	1,467,356	2,262,913	2,180,492	(82,421)
Other State Revenue	1,243,015	1,158,524	1,153,473	(5,051)
Other Local Revenue	1,109,942	1,135,167	1,238,615	103,448
Total Revenues	10,712,104	11,088,099	11,207,972	119,873
<u>EXPENDITURES</u>				
Certificated Salaries	4,295,270	4,268,923	4,260,360	8,563
Classified Salaries	2,128,276	1,949,155	1,926,060	23,095
Employee Benefits	2,328,007	2,092,334	2,070,007	22,327
Books and Supplies	414,004	751,855	365,516	386,339
Services and Other				
Operating Expenditures	1,152,921	1,458,514	1,300,895	157,619
Capital Outlay	5,000		305	(305)
Debt Service:				
Interest and Fiscal Charges	151,493	75,747	75,746	1
Other Outgo	41,623	65,661	57,195	8,466
Total Expenditures	10,516,594	10,662,189	10,056,084	606,105
Excess of Revenues Over (Under) Expenditures	195,510	425,910	1,151,888	725,978
Other Financing Sources (Uses):				
Operating Transfers In		23,351		(23,351)
Operating Transfers Out	(105,000)	(250,355)	(250,355)	
Total Other Financing Sources (Uses)	(105,000)	(227,004)	(250,355)	(23,351)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	90,510	198,906	901,533	702,627
Fund Balances - July 1, 2009	1,190,944	1,850,408	1,850,408	0
Fund Balances - June 30, 2010	\$ 1,281,454	\$ 2,049,314	\$ 2,751,941	\$ 702,627

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SUPPLEMENTARY INFORMATION SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

TOMALES, CALIFORNIA

JUNE 30, 2010

ORGANIZATION

The Shoreline Unified School District was established in 1968. The District office is in Tomales, California. There was no change in District boundaries during the year. The District operates four elementary schools and one high school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tim Kehoe	President	December, 2013
Jane Healy	Vice President	December, 2013
Scott McMorrow	Clerk	December, 2011
Jim Lino	Member	December, 2013
Jill Manning Sartori	Member	December, 2011
Monique Moretti	Member	December, 2011
Julie Titus	Member	December, 2011

ADMINISTRATION

Stephen Rosenthal
District Superintendent

Susan Skipp
Chief Business Official

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary</u>		
Kindergarten	42	42
First through Third	126	124
Fourth through Sixth	115	114
Seventh and Eighth	83	85
Special Day Classes	11	10
Special Education - Non Public	2	2
 <u>Secondary</u>		
Regular Classes	159	159
Special Education	10	10
Special Education - Non Public	<u>2</u>	<u>2</u>
 ADA Total	 <u>550</u>	 <u>548</u>

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2009-2010 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	26,500	37,325	180	In compliance
Grade 1	50,400	47,790	51,045	180	In compliance
Grade 2	50,400	47,790	54,700	180	In compliance
Grade 3	50,400	47,790	54,700	180	In compliance
Grade 4	54,000	47,790	56,225	180	In compliance
Grade 5	54,000	47,790	56,225	180	In compliance
Grade 6	54,000	47,790	57,180	180	In compliance
Grade 7	54,000	47,790	57,180	180	In compliance
Grade 8	54,000	47,790	57,180	180	In compliance
Grade 9	64,800	60,180	65,280	180	In compliance
Grade 10	64,800	60,180	65,280	180	In compliance
Grade 11	64,800	60,180	65,280	180	In compliance
Grade 12	64,800	60,180	65,280	180	In compliance

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Shoreline Unified School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Program Name:</u>	Federal Catalog Number	Pass-Through Entity Identifying Number	Revenue Recognized	Program Expenditures
US Department of Agriculture: Passed Through California Department of Education (CDE): National School Lunch	10.555	13391	\$ 113,077	\$ 113,077
US Department of Education: Received Direct: Maintenance and Operations	84.041	N/A	1,766,598	1,766,598
Passed through CDE:				
NCLB: Title I Basic Grants	84.010	14329	77,886	77,886
NCLB: ARRA Title I Basic Grants	84.389	15005	33,537	33,537
NCLB: Title II - Teacher Quality	84.367	14341	33,070	33,070
NCLB: Title II - Enhancing Education Through Technology	84.318	14334	405	405
NCLB: Title III - Limited English Proficient	84.365	10084	20,500	20,500
NCLB: Title V - Innovative Education	84.298A	14354	1,080	1,080
NCLB: Title VI, Part B, Rural & Low Income School Program	84.358	14356	30,976	30,976
ARRA - State Fiscal Stabilization Fund	84.394	25008	16,956	67,393
Special Education - IDEA, Basic Local Assistance Entitlement	84.027	13379	118,335	118,335
Special Education - ARRA IDEA Basic Local Assistance Entitlement	84.391	15003	77,180	77,180
Vocational Education (Carl Perkins)	84.048	13924	3,969	3,969
 Total Department of Education			<u>2,180,492</u>	<u>2,230,929</u>
 Total Federal Programs			<u>\$ 2,293,569</u>	<u>\$ 2,344,006</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Auditor's Comments

The audited financial statements of all funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2010.

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>General Fund</u>	(Budget) 2010-2011	2009-2010	2008-2009	2007-2008
Revenues and Other Financial Sources	\$ 9,944,857	\$ 11,207,972	\$ 10,958,653	\$ 9,994,238
Expenditures	9,760,089	10,056,084	11,132,582	11,073,621
Other Uses and Transfers Out	214,768	250,355	611,680	126,318
Total Outgo	9,974,857	10,306,439	11,744,262	11,199,939
Change in Fund Balance (Deficit)	(30,000)	901,533	(785,609)	(1,205,701)
Ending Fund Balance	<u>\$ 2,021,051</u>	<u>\$ 2,751,941</u>	<u>\$ 1,850,408</u>	<u>\$ 2,636,017</u>
Available Reserves	<u>\$ 2,007,035</u>	<u>\$ 2,369,691</u>	<u>\$ 1,562,642</u>	<u>\$ 1,753,468</u>
Designated for Economic Uncertainties	<u>\$ 480,872</u>	<u>\$ 412,258</u>	<u>\$ 469,771</u>	<u>\$ 447,998</u>
Undesignated Fund Balance	<u>\$ 1,526,163</u>	<u>\$ 1,957,433</u>	<u>\$ 1,092,871</u>	<u>\$ 1,305,470</u>
Available Reserves as a Percentage of Total Outgo	20.1%	23.0%	13.3%	15.7%
Total Long-Term Debt	\$ 14,961,475	\$ 15,207,633	\$ 9,820,033	\$ 9,940,798
Average Daily Attendance at P-2	555	550	543	562

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.

The District's General Fund balance decreased \$1,089,777 during the past three years. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, other uses and transfers out (total outgo). General Fund Balance is expected to decrease \$30,000 in 2010-2011. The District's ADA decreased by 12 during the past two years.

SHORELINE UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR FUND
 JUNE 30, 2010

	Cafeteria Fund	Deferred Maintenance	Special Reserve Fund for Post- Employment Benefits	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption	Totals
<u>ASSETS</u>						
Cash in County Treasury	988	\$ 168,352	\$ 110,533	\$ 101,326	\$ 419,489	\$ 800,688
Accounts Receivable	\$ 17,656					17,656
Due from Other Funds		180,355				180,355
Stores Inventory	216					216
Total Assets	<u>\$ 18,860</u>	<u>\$ 348,707</u>	<u>\$ 110,533</u>	<u>\$ 101,326</u>	<u>\$ 419,489</u>	<u>\$ 998,915</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 711					\$ 711
Fund Balances:						
Reserved	216				\$ 419,489	419,705
Unreserved Undesignated	17,933	\$ 348,707	\$ 110,533	\$ 101,326		578,499
Total Fund Balances	<u>18,149</u>	<u>348,707</u>	<u>110,533</u>	<u>101,326</u>	<u>419,489</u>	<u>998,204</u>
Total Liabilities and Fund Balances	<u>\$ 18,860</u>	<u>\$ 348,707</u>	<u>\$ 110,533</u>	<u>\$ 101,326</u>	<u>\$ 419,489</u>	<u>\$ 998,915</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Cafeteria Fund	Deferred Maintenance	Special Reserve Fund for Post- Employment Benefits	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption	Totals
<u>REVENUES</u>						
Federal Sources:						
Child Nutrition Program	\$ 113,077					\$ 113,077
Other State Sources:						
State Nutrition Program	8,988					8,988
Other					\$ 2,143	2,143
Other Local Sources:						
Food Service Sales	58,225					58,225
Interest	150	\$ 610	\$ 1,701	\$ 966	1,801	5,228
Other					505,005	505,005
Total Revenues	180,440	610	1,701	966	508,949	692,666
<u>EXPENDITURES</u>						
Classified Salaries	83,982					83,982
Employee Benefits	43,604					43,604
Books and Supplies	116,158	630				116,788
Services and Other						
Operating Expenditures	5,963	6,360				12,323
Capital Outlay		4,014				4,014
Debt Service:						
Principal Retirement				3,600,000	225,000	3,825,000
Interest and Fiscal Charges					289,142	289,142
Total Expenditures	249,707	11,004	0	3,600,000	514,142	4,374,853
Excess of Revenues						
Over (Under) Expenditures	(69,267)	(10,394)	1,701	(3,599,034)	(5,193)	(3,682,187)
Other Financing Sources (Uses):						
Operating Transfers In	70,000	180,355				250,355
Other Sources				3,445,772		3,445,772
Other Uses				(75,747)		(75,747)
Total Other Financing Sources (Uses)	70,000	180,355	0	3,370,025	0	3,620,380
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	733	169,961	1,701	(229,009)	(5,193)	(61,807)
Fund Balances - July 1, 2009	17,416	178,746	108,832	330,335	424,682	1,060,011
Fund Balances - June 30, 2010	\$ 18,149	\$ 348,707	\$ 110,533	\$ 101,326	\$ 419,489	\$ 998,204

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS - STUDENT BODY
 JUNE 30, 2010

	Beginning Balances	Additions	Deductions	Ending Balances
WEST MARIN SCHOOL				
<u>ASSETS</u>				
Cash	\$ 27,443	\$ 22,889	\$ 18,221	\$ 32,111
<u>LIABILITIES</u>				
Due to Student Groups	\$ 27,443	\$ 22,889	\$ 18,221	\$ 32,111
TOMALES ELEMENTARY SCHOOL				
<u>ASSETS</u>				
Cash	\$ 10,132	\$ 26,414	\$ 26,406	\$ 10,140
<u>LIABILITIES</u>				
Due to Student Groups	\$ 10,132	\$ 26,414	\$ 26,406	\$ 10,140
TOMALES HIGH SCHOOL				
<u>ASSETS</u>				
Cash	\$ 52,700	\$ 131,538	\$ 141,152	\$ 43,086
<u>LIABILITIES</u>				
Due to Student Groups	\$ 52,700	\$ 131,538	\$ 141,152	\$ 43,086
TOTAL AGENCY FUNDS				
<u>ASSETS</u>				
Cash	\$ 90,275	\$ 180,841	\$ 185,779	\$ 85,337
<u>LIABILITIES</u>				
Due to Student Groups	\$ 90,275	\$ 180,841	\$ 185,779	\$ 85,337

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. 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 requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

F. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

H. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

REPORT ON STATE COMPLIANCE

Board of Education
Shoreline Unified School District
Tomales, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shoreline Unified School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance 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 Education Agencies 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:


<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction, for charter schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	3	Not Applicable

Based on our audit, we found that, for the items tested, the Shoreline Unified School District complied with the state laws and regulations referred to above, except as described as finding 2010-5 in the accompanying schedule of findings and questioned costs. Further, based on the examination, for items not tested, nothing came to our attention to indicate that the Shoreline Unified School District had not complied with the state laws and regulations.

Shoreline Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Shoreline Unified School District's responses and accordingly, we express no opinion on them.

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


 GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
 Certified Public Accountants

December 13, 2010

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

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

Board of Education
Shoreline Unified School District
Tomales, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shoreline Unified School District as of and for the year ended June 30, 2010, which collectively comprise the Shoreline Unified School District's basic financial statements and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2010-1, 2010-2, 2010-3 and 2010-4 in the accompanying schedule of findings and questioned costs to be significant deficiencies in the internal control over financial reporting.

Compliance and Other Matters

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

Shoreline Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Shoreline Unified School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

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

Board of Education
Shoreline Unified School District
Tomales, California

Compliance

We have audited Shoreline Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Shoreline Unified School District's major federal programs for the year ended June 30, 2010. Shoreline Unified 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Shoreline Unified School District's management. Our responsibility is to express an opinion on Shoreline Unified School District's compliance based on our audit.

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

In our opinion, Shoreline Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

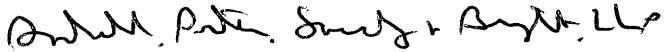
Internal Control Over Compliance

The management of Shoreline Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shoreline Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Shoreline Unified 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 the internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

FINDINGS AND QUESTIONED COSTS SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? ___ Yes x No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid - Maintenance and Operations
10.555	National School Lunch

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

Auditee qualified as low-risk auditee? x Yes ___ No

State Awards

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

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

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section II - Financial Statements Findings

2010 - 1 - SUPPLEMENTAL PAYROLL PROCESSING - 30000

Specific Requirement That Was Not Complied With: Many District employees are compensated based on monthly time cards that support the employee's payroll amounts.

Finding: During the course of discussions with the District about the payroll function, we noted the supplemental (mid-month) payroll records and source documents originating at the High School are not sent to the District Office in a timely manner to ensure employees are being paid in the proper period.

Effect: Failing to remit the supporting payroll documentation to the District Office in a timely manner, may delay the processing of employee's payroll payments.

Recommendation: We recommend the District establish a special date each month that time cards must be submitted for processing on that month's supplemental payroll. Time cards received after that date should be paid on the next payroll.

District Response: A process has been implemented and the payroll tech at the district office sends an email to all secretaries reminding them of the deadline to submit end of month timesheets. This seems to have remedied the issue.

2010 - 2 - DUTIES AT TOMALES HIGH SCHOOL - 30000

Specific Requirement That Was Not Complied With: A good internal control policy includes assigning tasks to a single individual so that responsibility for completing the task is under the control of that person.

Finding: During the course of the audit regarding attendance and student body funds at Tomales High School, we noted two employees are performing the same functions.

Effect: By not separating the duties to have one person responsible for a certain job, errors and mistakes have occurred and it is impossible to hold one employee responsible.

Recommendation: We recommend the District separate the duties of the two site staff responsible for attendance and student body in order to strengthen the controls at the High School. Both employees could still be utilized, but with the clear understanding of what their duties are and the absence of the other involved in the same processes.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section II - Financial Statements Findings (Continued)

2010 - 2 - DUTIES AT TOMALES HIGH SCHOOL - 30000 (CONCLUDED)

District Response: In the area of attendance, both administrative secretaries, Heidi Costanzo and Christine Bowman, are still sharing some of the duties. The duties include input in Aeries for absences that are taken over the phone, admitting tardy students and student who leave early, and Aeries input for students who are out of class for a school related activity. Heidi Costanzo is designated as responsible for all other tasks such as running reports for the student support teacher and for reviewing and clearing unverified absences.

In the areas of ASB, Heidi Costanzo is designated as the only person who is able to collect money. The money that is brought to the office to be deposited is only handled by Heidi. If Heidi is not available, the person is directed to come back when Heidi is there.

2010 - 3 - ASSOCIATED STUDENT BODY - BANK RECONCILIATIONS - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require internal controls for cash activity that includes reconciliations of the recorded balance to the bank statement balances completed monthly and reviewed for accuracy.

Finding: During our testing of Tomales High School ASB account, we noted the monthly bank reconciliations have not been performed.

Effect: If bank accounts are not reconciled in a timely manner, errors in recording of deposits and withdrawals, errors on the part of the bank, and expired checks may be present or occur and not be discovered by District employees.

Recommendation: The District Office should review the bank reconciliations monthly to ensure the reconciliations are performed timely and transactions are posted and reconciled in a timely fashion.

District Response: Bank reconciliations are now performed shortly after the bank statements are received. Currently the end of the month bank statement is not received until after the 15th of the following month. We will start using on-line statements to reconcile the account so the account can be reconciled immediately after month end.

The bank reconciliation will be completed by the 10th of each month with copies of the bank reconciliation sent to Susan Skipp at the district office for review. In addition, Susan will go to the high school to observe the bank reconciliation process for the months of September, December, and March.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section II - Financial Statements Findings (Continued)

2010 - 4 - STUDENT BODY - CASH DISBURSEMENTS AND CASH RECEIPTS - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require an internal accounting control system to be in place to ensure transactions within the student body account is complete, accurate, and approved by a second employee as well as adequate internal controls over deposits in order to minimize the risk of misappropriation of Student Body assets.

Finding: During our audit at Tomales High School we noted the following conditions: 1. Five (5) out of fifteen (15) payments selected for testing did not have sufficient supporting documentation such as purchase orders, student body approvals or invoices. 2. We selected nine deposits for testing of internal controls and determined six (6) did not have sufficient supporting documentation such as check remittances, copies of checks received or receipts for cash. 3. We noted deposits and expenses were not recorded properly in the accounting system.

Effect: The effects of these conditions are as follows: 1. By not retaining supporting documents for expenditures may allow for unauthorized disbursements or inadvertent payments which are not allowed. 2. Not retaining supporting documents for deposits prevents the site from establishing a complete audit trail. Verification of the receipt sources cannot be supported and the accuracy of deposits to individual club accounts cannot be supported. 3. Inadequate controls over the maintenance of the check register/ASB transaction records allow for potential errors and misappropriation of student body assets.

Recommendation: We recommend the District implement policies to implement the following recommendations: 1. All payments should be documented with receipts, invoices and approvals and retained to provide a complete audit trail to support each payment. 2. All deposits should be documented with receipts and approvals and retained to provide a complete audit trail to support each deposit. 3. Training should be provided to the account clerk to ensure the student body transactions are recorded to the proper account.

District Response:

1. Heidi Costanzo is requiring complete documentation before a check can be issued. The staff has been cooperative with the process.
2. A receipt is issued for all money received by cash or check. When the deposit is processed, a copy of each check is made and kept with the documentation.
3. All deposits are made in Blue Bear at the time the money is received and credited to the appropriate subsidiary account. All disbursements (checks) are printed from Blue Bear with reference to a purchase order number and/or invoice number.

The club account activity is printed out every two weeks and reviewed by the activities director and student council.

Heidi Costanzo and Christine Bowman attended the CASBO workshop on student body accounts.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

2010 - 5 - ATTENDANCE ACCOUNTING AT TOMALES HIGH SCHOOL - 10000

Specific Requirement That Was Not Complied With: The District is required to retain supporting documentation for reported attendance. Regulations included in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, require attendance records maintained on a monthly basis include classroom records of attendance verified as accurate and signed by the responsible teacher.

Finding: To test attendance at Tomales High School, we selected attendance month 3 and noted several weaknesses in the procedures for recording daily attendance. We expanded our testing to attendance month 5 and noted the same deficiencies. The documentation supporting reported attendance at the High School was insufficient. We noted several instances of teachers not taking attendance and recording absences. Weekly classroom rosters are frequently unsigned by the teacher responsible and were not filed in an organized manner. Also documentation to account for students arriving late or leaving early was not reliable.

Effect: When a teacher does not record a student as absent, reported apportionment attendance is overstated. Unless the teacher signs the weekly roster, the District is not able to document a responsible employee has verified reported attendance is accurate. Without complete and accurate records of late arrivals/early dismissals, the District cannot account for student whereabouts.

Amount of Questioned Costs and How Computed: There is no financial impact as a result of this finding. The District is a Basic Aid district and does not receive State aid revenue limit apportionments.

Recommendation: We recommend procedures be developed and staff trained and monitored to improve the audit trail for reported attendance. The procedures should include a daily review to ensure all teachers have recorded attendance. Teachers should be required to review and sign the weekly rosters. All attendance records should be filed in an organized manner and retained for the required period. Students that are late arrivals/early dismissals should be required to report to the attendance office, listed on a daily sign-in/sign-out log that includes the students name, time and reason. Teachers should be trained to require a admit slip from the attendance office for each student arriving after school begins.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Section IV - State Award Findings and Questioned Costs (Concluded)

2010 - 5 - ATTENDANCE ACCOUNTING AT TOMALES HIGH SCHOOL - 10000
(CONCLUDED)

District Response: The following procedures are in place at Tomales High School.

When a parent leaves a message regarding a student's absence, the information is immediately noted in Aeries including that it was a phone message, the reason for the absence, and who made the call, i.e., mom, dad.

When a parent calls and talks to Heidi or Christine, a notation is made in Aeries immediately. If Mr. O'Neill takes the call from Spanish speaking parents, he makes a note which is given to Heidi to input in Aeries. The note is kept in the student's file.

If a sub is in the office, a phone log is used by the sub and maintained in a file. The absences are logged into Aeries by Heidi.

Attendance rosters are printed from Aeries and signed by the teachers on a weekly basis. The rosters are kept in binder and organized by attendance month and alphabetically by teacher. Heidi reviews the rosters weekly and if a teacher has not turned in their roster, she contacts the teacher to remind them to turn in the roster.

When a student arrives late, Heidi or Christine note the time and reason in Aeries. An admit slip is generated by Aeries for the student to take to their teacher. When students are out of class for field trips, sports, testing, or other school-related activities, a list is prepared, checked off by the teacher, and submitted to the office for input in Aeries by Heidi or Christine.

Heidi Costanzo is designated as responsible for all other tasks such as running reports for the student support teacher and for reviewing and clearing unverified absences.

Heidi Costanzo and Christine Bowman attended the CASBO workshop on attendance procedures.

SHORELINE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2010

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. The District should implement procedures to ensure expenditures are paid in a timely manner to avoid late fees.	Accepted Implemented	
2. Tomales High School Associated Student Body (ASB):		
a. Appropriate segregation of duties should be implemented.	Accepted Not Implemented	See current year finding 2010-2
b. All payments should be documented with receipts, invoices and approvals attached.	Accepted Not Implemented	See current year finding 2010-4
c. All deposits should be documented with receipts and approvals attached.	Accepted Not Implemented	See current year finding 2010-4
d. Training should be provided to the account clerk to ensure the check register is updated in an accurate manner.	Accepted Partially Implemented	See current year finding 2010-3
e. If cash is collected and cannot be deposited that day, the site staff should ensure the cash is placed in a secure locked location.	Accepted Implemented	

SHORELINE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2010

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
3. Associated Student Body - West Marin Elementary School:		
a. All deposits should be documented with receipts and approvals attached.	Accepted Implemented	
b. All payments made from the student body account should have proper authorization.	Accepted Implemented	