

SHORELINE UNIFIED SCHOOL DISTRICT
COUNTY OF MARIN
TOMALES, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

SHORELINE UNIFIED SCHOOL DISTRICT

JUNE 30, 2011

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FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

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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, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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, 2011 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, 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 47 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. 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

October 31, 2011

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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

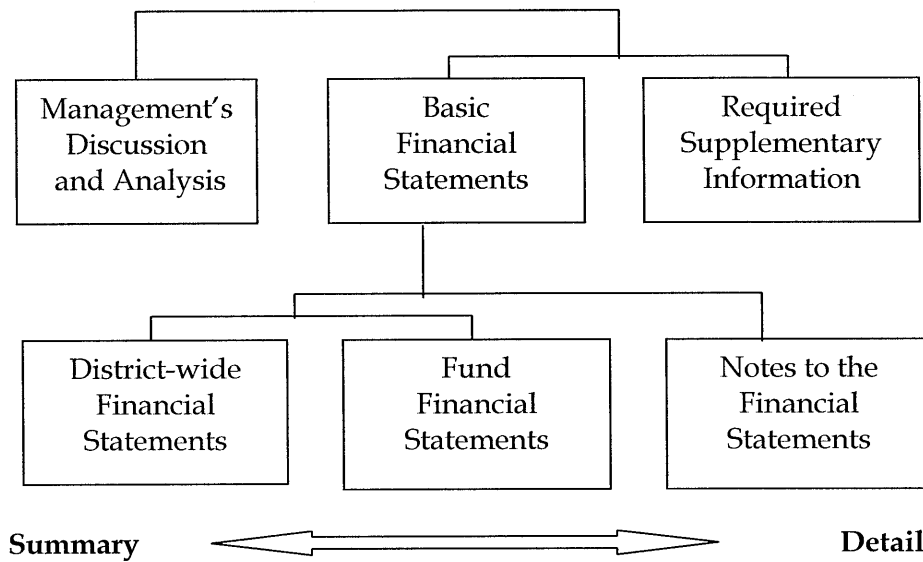
- The District basic aid status in 2010-11 continues with property taxes collected exceeding the calculated revenue limit by \$3,398,843.
- The District received \$1,517,953 in Federal Impact Aid in 2010-11 as compared to \$1,766,598 in 2009-10, a decrease of \$248,645. Federal Impact Aid fluctuates 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 \$670,481, ending the year with available reserves of \$2,885,461, 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 \$33,001,914. After depreciation, the June 30, 2011, book value for fixed assets totaled \$15,089,029.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

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 2010-11?"

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, 2011

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, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net assets were \$8.2 million at June 30, 2011. Of this amount \$2.5 million was unrestricted. Investments in capital assets, net of related debt, account for \$4.3 million 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	
	2011	Restated 2010
Assets		
Cash and investments	\$ 9,101,964	\$ 9,390,431
Receivables	299,359	338,062
Stores inventory	216	216
Prepaid expenditures		400
Capital assets	15,089,029	14,284,751
Total assets	\$ 24,490,568	\$ 24,013,860
Liabilities		
Accounts payable and other current liabilities	\$ 690,380	\$ 686,536
Deferred revenue	117,110	1,998
Long-term liabilities	15,535,008	15,284,789
Total liabilities	\$ 16,342,498	\$ 15,973,323
Net Assets		
Invested in capital assets, net of related debt	\$ 4,341,769	\$ 4,679,450
Restricted	1,207,587	775,020
Unrestricted	2,598,714	2,586,067
Total net assets	\$ 8,148,070	\$ 8,040,537

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position increased \$107 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 80% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 14% 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	
	2011	2010
Revenues		
Program revenues	\$ 1,577,398	\$ 1,580,600
General revenues		
Taxes levied for general purposes	6,577,401	6,654,332
Taxes levied for other specific purposes	856,359	817,779
Taxes levied for debt service	1,160,431	506,510
Federal and State Aid not restricted to specific purposes	2,065,066	2,189,703
Interest and investment earnings	42,964	34,529
Interagency revenues	71,790	23,251
Miscellaneous	258,189	94,138
Special item		154,229
Total revenues	12,609,598	12,055,071
Expenses		
Instruction	7,213,711	6,850,340
Instruction related services	958,210	941,341
Pupil support services	1,748,943	1,486,289
General administration	701,880	1,817,373
Plant services	899,540	158,640
Other	979,781	449,938
Total expenses	12,502,065	11,703,921
Increase in net assets	\$ 107,533	\$ 351,150

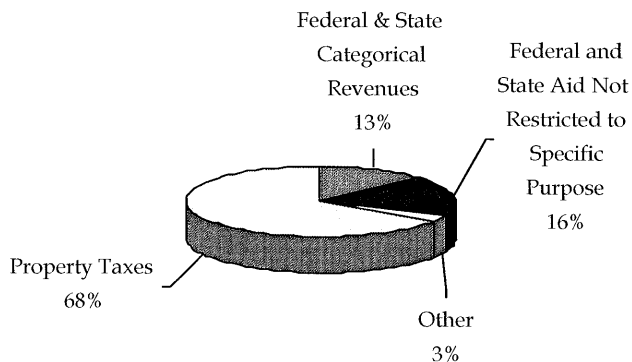
SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

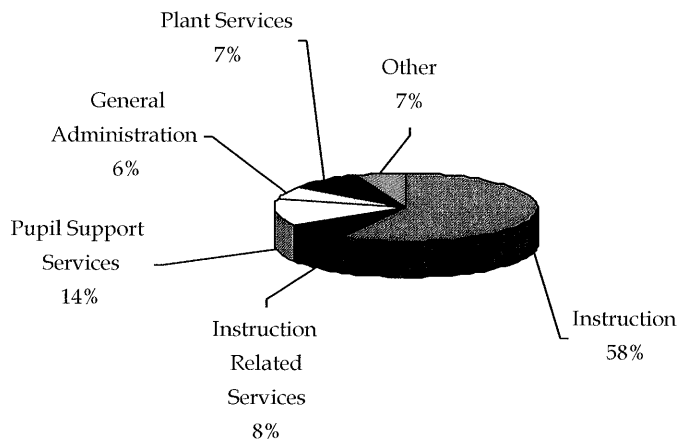
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$12.5 million. The amount that our local taxpayers financed for these activities through property taxes was \$8.6 million. Federal and state aid not restricted to specific purposes totaled \$2.0 million. State and Federal Categorical revenue totaled over \$1.5 million, and covered 13% of the expenses of the entire District (See Figure 1).

Sources of Revenue for the 2010-11 Fiscal Year
Figure 1



Expenses for the 2010-11 Fiscal Year
Figure 2



SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2011

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 \$8,873,627, a decrease of \$301,217 from the previous fiscal year's combined ending balance of \$9,174,844. This decrease 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 new positions.
- ◆ 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 \$5,619.

The District ended the year with an increase of \$670,481 to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 4%. The District's ending reserve was 27% which included this reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the 2010-11 fiscal year, the District expended \$1.5 million in a broad range of capital assets, including school buildings, multi-use facilities, site improvements, vehicles, and equipment. The increase in total capital assets, net of depreciation and disposals was \$804 thousand.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2011 and 2010

	2011	2010	Difference Increase (Decrease)
Land	\$ 829,201	\$ 829,201	
Site Improvements	244,741	264,002	\$ (19,261)
Buildings	13,116,985	12,427,225	689,760
Machinery and Equipment	429,078	350,729	78,349
Work in Process	469,024	413,594	55,430
Totals	<u>\$ 15,089,029</u>	<u>\$ 14,284,751</u>	<u>\$ 804,278</u>

Long-Term Debt

At June 30, 2011, the District had \$15.5 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2011 and 2010

	2011	Restated 2010
General Obligation Bonds	\$ 14,795,000	\$ 15,030,000
Other Post-employment Benefits	223,761	99,527
Early Retirement Incentives	132,412	155,262
Capital Lease Obligations	53,835	
Other General Long-term Debt	330,000	
Totals	<u>\$ 15,535,008</u>	<u>\$ 15,284,789</u>

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The long-term debt paid by the District was approximately \$382 thousand in 2010-11.

FACTORS BEARING ON THE DISTRICT'S FUTURE

For the year 2010-11, 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 \$1,766,598 in 2009-10 and \$1,517,953 in 2010-11.

The District has a parcel tax of \$170.78 per parcel in 2010-11 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 2010-11, the parcel tax generated revenue of \$856,359.

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, 2011

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash (Note 2)	\$ 9,101,964
Accounts Receivable (Note 4)	299,359
Stores Inventory (Note 1H)	216
Capital Assets, Net of Depreciation (Note 6)	<u>15,089,029</u>
 Total Assets	 <u>\$ 24,490,568</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	\$ 690,380
Deferred Revenue (Note 1H)	117,110
Long-term Liabilities (Note 12)	
Due Within One Year	\$ 562,494
Due After One Year	<u>14,972,514</u>
Total Long-Term Liabilities	<u>15,535,008</u>
 Total Liabilities	 <u>\$ 16,342,498</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	\$ 4,341,769
Restricted For:	
Capital Projects	101,839
Debt Service	765,736
Education Programs	340,012
Unrestricted	<u>2,598,714</u>
 Total Net Assets	 <u>\$ 8,148,070</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Instruction	\$ 7,213,711		\$ 803,075	\$ (6,410,636)
Instruction-Related Services:				
Supervision of Instruction	5,021		1,273	(3,748)
Instructional Library, Media and Technology	3,717		6	(3,711)
School Site Administration	949,472		1,969	(947,503)
Pupil Services:				
Home-To-School Transportation	1,053,125	\$ 6,294	425,449	(621,382)
Food Services	289,134		136,594	(152,540)
All Other Pupil Services	406,684		114,483	(292,201)
General Administration:				
Data Processing	6,631			(6,631)
All Other General Administration	695,249		36,066	(659,183)
Plant Services	899,540	17	1,277	(898,246)
Ancillary Services	129,534		1,424	(128,110)
Community Services	63,837		35,816	(28,021)
Interest on Long-Term Debt	726,137			(726,137)
Other Outgo	60,273		13,655	(46,618)
Total Governmental Activities	\$ 12,502,065	\$ 6,311	\$ 1,571,087	(10,924,667)
General Revenues:				
Property Taxes Levied For:				
				6,577,401
				1,160,431
				856,359
				2,065,066
				42,964
				71,790
				258,189
Total General Revenues				11,032,200
Change in Net Assets				107,533
Net Assets Beginning (Restated - Note 17)				8,040,537
Net Assets Ending				\$ 8,148,070

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash (Note 2)	\$ 4,024,297	\$ 4,156,009	\$ 921,658	\$ 9,101,964
Accounts Receivable (Note 4)	281,185		18,174	299,359
Stores Inventory (Note 1H)			216	216
Total Assets	\$ 4,305,482	\$ 4,156,009	\$ 940,048	\$ 9,401,539
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 352,591	\$ 54,434	\$ 3,777	\$ 410,802
Deferred Revenue (Note 1H)	71,229		45,881	117,110
Total Liabilities	423,820	54,434	49,658	527,912
Fund Balances (Note 1H):				
Nonspendable	3,000		216	3,216
Restricted	340,012		765,736	1,105,748
Assigned	653,189	4,101,575	124,438	4,879,202
Unassigned	2,885,461			2,885,461
Total Fund Balances	3,881,662	4,101,575	890,390	8,873,627
Total Liabilities and Fund Balances	\$ 4,305,482	\$ 4,156,009	\$ 940,048	\$ 9,401,539

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, 2011

Total fund balance - governmental funds \$ 8,873,627

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.

Capital assets, at historical cost:	\$	33,001,914	
Accumulated depreciation:		(17,912,885)	
Net:			15,089,029

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 unmaturing interest owing at the end of the period was: (279,578)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	\$	14,795,000	
Other post-employment benefits		223,761	
Early retirement incentives		132,412	
Capital lease obligations		53,835	
Other general long-term debt		330,000	
Total			(15,535,008)

Total net assets - governmental activities \$ 8,148,070

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Revenue Limit Sources				
State Apportionments	\$ (25,495)			\$ (25,495)
Local Sources	6,577,400			6,577,400
Total Revenue Limit	6,551,905			6,551,905
Federal Revenue	1,888,219		\$ 114,975	2,003,194
Other State Revenue	1,114,725		34,602	1,149,327
Other Local Revenue	1,677,892	\$ 24,126	1,203,716	2,905,734
Total Revenues	11,232,741	24,126	1,353,293	12,610,160
<u>Expenditures</u>				
Certificated Salaries	4,174,027			4,174,027
Classified Salaries	1,981,854		91,769	2,073,623
Employee Benefits	2,145,032		51,681	2,196,713
Books and Supplies	459,382		139,110	598,492
Services and Other				
Operating Expenditures	1,483,244		8,709	1,491,953
Capital Outlay	28,634	1,347,250		1,375,884
Debt Service:				
Principal Retirement	124,584		235,000	359,584
Interest and Fiscal Charges	230		580,598	580,828
Other Outgo	60,273			60,273
Total Expenditures	10,457,260	1,347,250	1,106,867	12,911,377
Excess of Revenues Over (Under) Expenditures	775,481	(1,323,124)	246,426	(301,217)
Other Financing Sources (Uses):				
Operating Transfers In (Note 4)			105,000	105,000
Operating Transfers Out (Note 4)	(105,000)			(105,000)
Total Other Financing Sources (Uses)	(105,000)	0	105,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	670,481	(1,323,124)	351,426	(301,217)
Fund Balances - July 1, 2010 (Restated - Note 16)	3,211,181	5,424,699	538,964	9,174,844
Fund Balances - June 30, 2011	\$ 3,881,662	\$ 4,101,575	\$ 890,390	\$ 8,873,627

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, 2011

Net change in fund balances - total governmental funds \$ (301,217)

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

Capital outlay: In governmental funds, the costs 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:	\$	1,555,432	
Depreciation expense:		(751,154)	
Net:			804,278

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In 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: 249,584

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: (68,419)

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 but owing from the prior period, was: (145,309)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (124,234)

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. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (307,150)

Total change in net assets - governmental activities \$ 107,533

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship Fund</u>	<u>Agency Fund</u>
<u>Assets</u>		
Cash (Note 2)	\$ 140,699	\$ 83,343
Receivables	500	
Total Assets	<u>\$ 141,199</u>	<u>\$ 83,343</u>
<u>Liabilities</u>		
Due to Student Groups	\$	\$ 83,343
Total Liabilities	<u>\$ 0</u>	<u>\$ 83,343</u>
<u>Net Assets</u>		
Reserved for Scholarships	\$ 141,199	\$
Total Net Assets	<u>\$ 141,199</u>	<u>\$ 0</u>

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, 2011

	Private Purpose Trust
	Scholarship Fund
<u>Additions</u>	
Donations and Gifts	\$ 46,727
Interest and Investment Earnings	545
	47,272
<u>Deductions</u>	
Scholarships	57,950
Change in Net Assets	(10,678)
Total Net Assets - July 1, 2010	151,877
Total Net Assets - June 30, 2011	\$ 141,199

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Shoreline Unified School District, this includes general operations, food service and student related activities of the District. 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, 2011

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 and the modified accrual basis of accounting. 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 and the modified accrual basis of accounting.

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, 2011

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. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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. The General Fund includes amounts reported in the District's Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits.
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 report the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay, and that comprise a substantial portion of the fund's resources. The District maintains one non-major special revenue fund:

1. Cafeteria Fund is used to account separately for federal, state, and local resources received and expenditures authorized by the Board to operate the District's food service program.

Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest. 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.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital 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, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

FIDUCIARY FUNDS:

Private Purpose Trust Funds are used to account for assets held by the District as trustee for individuals, private organizations or other governments and are therefore not available to support the District's own programs. The District maintains one Private Purpose 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 student body funds, 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. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District maintains three agency funds, one for each Student Body account.

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, 2011

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 nonspendable fund balance, 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, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures (Concluded)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. 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 expenditures in the period when purchased.

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. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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, 2011

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 Equity

As discussed in Note 11, the District has implemented GASB 54 in fiscal year 2010-11. GASB 54 implements a five-tier fund balance classification hierarchy that depicts the extent the District is bound by spending constraints imposed on the use of its resources:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Chief Business Official/Superintendent of the District.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)9. Fund Equity

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances

The District's fund balances at June 30, 2011 consisted of the following:

	General Fund	Building Fund	Other Governmental Funds	Total
Nonspendable:				
Revolving Fund	\$ 3,000			\$ 3,000
Stores Inventory			\$ 216	216
Total Nonspendable Fund Balance	3,000		216	3,216
Restricted For:				
Legally Restricted Categorical Funding	340,012			340,012
Debt Service			765,736	765,736
Total Restricted Fund Balance	340,012		765,736	1,105,748
Assigned For:				
Purpose of Fund		\$ 4,101,575	124,438	4,226,013
Instructional Materials	29,547			29,547
Lottery	63,839			63,839
District House	11,016			11,016
Future Facilities Maintenance/Repairs	437,695			437,695
Future OPEB Obligations	111,092			111,092
Total Assigned Fund Balance	653,189	4,101,575	124,438	4,879,202
Unassigned:				
Reserve for Economic Uncertainties	426,004			426,004
Other Unassigned	2,459,457			2,459,457
Total Unassigned Fund Balance	2,885,461	0	0	2,885,461
Total Fund Balances	\$ 3,881,662	\$ 4,101,575	\$ 890,390	\$ 8,873,627

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Concluded)

Fund Balance Policy (Concluded)

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 4% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

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.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

10. Revenue Limit/Property Tax (Concluded)

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.

I. New GASB Accounting Standard Adoption

In March, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. The classification requirements in GASB 54 improve financial reporting by providing fund balance categories and classifications that are more easily understood. The requirements of GASB 54 are effective for financial statements for period beginning after June 15, 2010 making the new standard effective for the year ending June 30, 2011.

NOTE 2 - CASH AND INVESTMENTS

A. Cash

The District had the following cash at June 30, 2011:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash on Hand and in Bank	\$ 83,343	\$ 83,343	Not Rated
Cash in Revolving Fund	3,000	3,000	Not Rated
Cash in County Treasury	9,253,193	9,239,663	Not Rated
Total Cash	<u>\$ 9,339,536</u>	<u>\$ 9,326,006</u>	

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A. Cash (Concluded)

Cash on Hand, In Banks and in Revolving Fund

Cash balances 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, 2011, the carrying amount of the District's accounts was \$86,343, 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.

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 \$9,239,663 as of June 30, 2011. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$9,253,193. 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.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

B. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2011:

<u>Government-Wide Statement of Net Assets</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
<u>\$9,101,964</u>	<u>\$224,042</u>	<u>\$9,326,006</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, 2011, no amount was exposed to custodial credit risk.

At June 30, 2011, 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>\$9,253,193</u>	<u>\$5,362,225</u>	<u>\$2,269,808</u>	<u>\$1,621,160</u>

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, 2011, 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

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations in individual governmental funds as of June 30, 2011.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consist of the following:

	General Fund	Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs	\$ 81,752	\$ 16,400	\$ 98,152
State Government			
Categorical Aid Programs	45,946		45,946
Lottery	38,348		38,348
Other	22,634	1,328	23,962
Total State Government	106,928	1,328	108,256
Local Government	77,796		77,796
Miscellaneous	14,709	446	15,155
Total Accounts Receivable	<u>\$ 281,185</u>	<u>\$ 18,174</u>	<u>\$ 299,359</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, 2011

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 2010-2011 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
General Fund		\$ 105,000
Non-Major Governmental Funds		
Cafeteria Fund	\$ 105,000	
Total	<u>\$ 105,000</u>	<u>\$ 105,000</u>

Transfer of \$105,000 from the General Fund to the Cafeteria Fund to cover cash flow shortages.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2011, is shown below:

	Balance <u>July 01, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 829,201			\$ 829,201
Work in progress	413,594	\$ 1,347,250	\$ 1,291,820	469,024
Total capital assets, not being depreciated	<u>1,242,795</u>	<u>1,347,250</u>	<u>1,291,820</u>	<u>1,298,225</u>
Capital assets being depreciated:				
Buildings	25,094,146	1,299,146		26,393,292
Improvements of sites	3,318,475	33,861		3,352,336
Equipment	1,791,066	166,995		1,958,061
Total capital assets, being depreciated	<u>30,203,687</u>	<u>1,500,002</u>	<u>0</u>	<u>31,703,689</u>
Less accumulated depreciation for:				
Buildings	12,666,921	609,386		13,276,307
Improvements of sites	3,054,473	53,122		3,107,595
Equipment	1,440,337	88,646		1,528,983
Total accumulated depreciation	<u>17,161,731</u>	<u>751,154</u>	<u>0</u>	<u>17,912,885</u>
Total capital assets, being depreciated, net	<u>13,041,956</u>	<u>748,848</u>	<u>0</u>	<u>13,790,804</u>
Governmental activities capital assets, net	<u>\$ 14,284,751</u>	<u>\$ 2,096,098</u>	<u>\$ 1,291,820</u>	<u>\$ 15,089,029</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$	576,980
School Site Administration		120
Home to School Transportation		58,126
Ancillary Services		5,125
All Other General Administration		21,711
Plant Services		89,092
 Total	 \$	 751,154

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 2009-2010 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 5.0% for the purpose of financing improvements made to its school facilities and to advance refund the District's Certificates of Participation Series 2007, and to pay costs of issuance of the bonds. The final maturity date of the bonds is August 1, 2035. The bonds were authorized by the voters of the District by a 55% vote.

The outstanding general obligation bonded debt of the Shoreline Unified School District as of June 30, 2011 is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
2001	4.5-8.0	2026	\$ 3,370,000	\$ 2,685,000	\$ 115,000	\$ 2,570,000
2002	4.25-5.25	2027	3,630,000	3,055,000	120,000	2,935,000
2010	3.0-5.0	2036	9,290,000	9,290,000		9,290,000
 Totals			\$ 16,290,000	\$ 15,030,000	\$ 235,000	\$ 14,795,000

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7- GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirement to amortize general obligation bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 380,000	\$ 662,924	\$ 1,042,924
2013	505,000	644,767	1,149,767
2014	525,000	623,924	1,148,924
2015	540,000	606,193	1,146,193
2016	560,000	585,224	1,145,224
2017-2021	3,165,000	2,548,804	5,713,804
2022-2026	3,955,000	1,753,029	5,708,029
2027-2031	2,440,000	913,125	3,353,125
2032-2036	2,725,000	337,168	3,062,168
Totals	<u>\$ 14,795,000</u>	<u>\$ 8,675,158</u>	<u>\$ 23,470,158</u>

NOTE 8 - CAPITAL LEASE OBLIGATIONS

The District leases a bus under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2012	\$ 14,814
2013	14,814
2014	14,814
2015	14,814
Total payments	59,256
Less amounts representing interest	<u>(5,421)</u>
Present value of net minimum lease payments	<u>\$ 53,835</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 – 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, 2011, the District assigned \$111,092 in the General Fund for the payment of future postemployment benefits.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)*Annual OPEB Cost*

For fiscal year ended June 30, 2011, the District's annual OPEB cost (expense) was \$244,456. 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>
2011	\$245,456	49%	\$223,761
2010	\$ 20,773	76%	\$ 99,527
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	\$246,954
Interest on OPEB obligation	4,976
Adjustment to annual required contribution	<u>(6,474)</u>
Annual OPEB cost (expense)	245,456
Payments made	<u>(121,222)</u>
Increase in net OPEB obligation	124,234
Net OPEB obligation-beginning of year	<u>99,527</u>
Net OPEB obligation-end of year	<u>\$223,761</u>

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,798,111, 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, 2011

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

Funding Status and Funding Progress (Concluded)

The funded status of the plan as of July 1, 2010 was as follows:

Actuarial accrued liability (AAL)	\$1,798,111
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,798,111</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, 2010, 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 30 year amortization period. The remaining amortization period at June 30, 2011, was twenty-nine years.

NOTE 10 - 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, 2011

NOTE 10 - 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 2010-2011 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, 2011, 2010, and 2009 were \$348,715, \$347,297 and \$380,804, 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 2010-2011 was 10.70% 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, 2011, 2010 and 2009 were \$197,119, \$178,057 and \$196,293, 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, 2011

NOTE 10 - 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, 2011. 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, in 2007-2008 and 2009-2010, 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 employees that retired are \$132,412 and are reported as long-term debt by the District in the Government-Wide Statement of Net Assets.

<u>Year Ended June 30</u>	<u>Early Retirement Incentives</u>
2012	\$ 27,806
2013	27,806
2014	27,806
2015	27,806
2016	10,594
2017	<u>10,594</u>
Total	<u>\$ 132,412</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 - OTHER LONG-TERM DEBT

In addition to the commitments and contingencies described in Note 13 and Note 14, the District settled a lawsuit with a family of a District student for \$398 thousand. The settlement will be paid over ten (10) years beginning in fiscal year 2010-2011 and maturing in the fiscal year 2019-2020. The amount payable is a non-interest bearing amount and the amortization of the remaining liability is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>
2012	\$ 142,000
2013	42,000
2014	42,000
2015	24,000
2016	24,000
2017-2020	<u>56,000</u>
Total	<u>\$ 330,000</u>

NOTE 12 - LONG-TERM DEBT

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

	Restated Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>	Due Within <u>One Year</u>
General Obligation Bonds	\$ 15,030,000		\$ 235,000	\$ 14,795,000	\$ 380,000
Capital Lease Obligations		\$ 68,419	14,584	53,835	12,688
Other Post-employment Benefits	99,527	245,456	121,222	223,761	
Early Retirement Incentives	155,262		22,850	132,412	27,806
Other General Long-term Debt		<u>440,000</u>	<u>110,000</u>	<u>330,000</u>	<u>142,000</u>
Totals	<u>\$ 15,284,789</u>	<u>\$ 753,875</u>	<u>\$ 503,656</u>	<u>\$ 15,535,008</u>	<u>\$ 562,494</u>

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, 2011

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, the District contracted with Redwood Empire Schools Insurance Group (RESIG) for property and liability insurance coverage and RESIG for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2011, the District participated in the Redwood Empire Schools Insurance Group (RESIG), an insurance purchasing pool. The intent of the RESIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the RESIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the RESIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the RESIG. Participation in the RESIG is limited to districts that can meet the RESIG selection criteria.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District may be involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. 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.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. 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.

NOTE 15 - 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 16 - RESTATEMENT OF FUND BALANCES

As described in Note 11, the District adopted Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The District separately reports activity in Special Revenue Funds. GASB Statement 54 clarifies this fund type is used only to report the proceeds of specific revenue sources that are restricted or committed. The Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits do not meet the criteria of a Special Revenue Fund under GASB 54 and are reported in the General Fund. The effect of this change in reporting is a restatement of beginning fund balances as follows:

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Postemployment Benefits
Fund Balances, June 30, 2010, as originally reported	\$ 2,751,941	\$ 348,707	\$ 110,533
Report activity in the General Fund previously accounted for separately in a Special Revenue Fund	459,240	(348,707)	(110,533)
Fund Balances, June 30, 2010, as restated	\$ 3,211,181	\$ 0	\$ 0

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 17 - RESTATEMENT OF NET ASSETS

The amounts previously reported as net assets at June 30, 2010 on the Government-Wide Statements of Net Assets have been restated due to the understatement of long-term debt. The effect of this restatement is a decrease in the June 30, 2010 net assets of \$77,156 as follows:

	<u>Government-Wide Financial Statements</u>
Net Assets June 30, 2009, as originally reported	\$8,117,693
Understatement of Early Retirement Incentives	<u>(77,156)</u>
Restated Net Assets as of June 30, 2010	<u>\$8,040,537</u>

NOTE 18 - SUBSEQUENT EVENT

Management has evaluated subsequent events through October 31, 2011, the date on which the financial statements were available to be issued.

General Obligation Bonds

On September 7, 2011, the District will complete the refinancing of a portion of the General Obligation Bonds issued in 2001 and 2002. The refinancing will be effected with the issuance of \$5,270,000 General Obligation Bonds at interest rates from 2.5% - 5%. Debt service will consist of semi-annual payments of principal and interest beginning on February 1, 2012.

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionments	\$ (17,589)	\$ (34,262)	\$ (25,495)	\$ 8,767
Local Sources	6,550,456	6,589,456	6,577,400	(12,056)
Total Revenue Limit	6,532,867	6,555,194	6,551,905	(3,289)
Federal Revenue	1,422,530	1,902,716	1,888,219	(14,497)
Other State Revenue	843,451	1,097,704	1,114,725	17,021
Other Local Revenue	1,147,759	1,616,136	1,677,892	61,756
Total Revenues	9,946,607	11,171,750	11,232,741	60,991
<u>Expenditures</u>				
Certificated Salaries	4,157,870	4,206,481	4,174,027	32,454
Classified Salaries	1,880,490	1,958,381	1,981,854	(23,473)
Employee Benefits	2,172,378	2,171,900	2,145,032	26,868
Books and Supplies	404,157	792,668	459,382	333,286
Services and Other				
Operating Expenditures	1,042,384	1,703,911	1,483,244	220,667
Capital Outlay	27,100	31,761	28,634	3,127
Debt Service:				
Principal Retirement	124,584	124,584	124,584	
Interest and Fiscal Charges	230	230	230	
Other Outgo	70,914	71,215	60,273	10,942
Total Expenditures	9,880,107	11,061,131	10,457,260	603,871
Excess of Revenues Over (Under) Expenditures	66,500	110,619	775,481	664,862
Other Financing Sources (Uses):				
Operating Transfers Out	(95,000)	(105,000)	(105,000)	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(28,500)	5,619	670,481	664,862
Fund Balances - July 1, 2010 (Restated - Note 16)	2,510,291	3,211,181	3,211,181	0
Fund Balances - June 30, 2011	\$ 2,481,791	\$ 3,216,800	\$ 3,881,662	\$ 664,862

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SUPPLEMENTARY INFORMATION SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

TOMALES, CALIFORNIA

JUNE 30, 2011

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, 2011

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary</u>		
Kindergarten	38	39
First through Third	124	125
Fourth through Sixth	113	114
Seventh and Eighth	78	78
Special Day Classes	9	9
Special Education – Non Public	1	1
 <u>Secondary</u>		
Regular Classes	157	156
Special Education	10	10
Special Education – Non Public	<u>1</u>	<u>2</u>
 ADA Total	 <u>531</u>	 <u>534</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, 2011

<u>Grade Level</u>	<u>1986-1987 Minutes Requirement</u>	<u>1982-1983 Actual Minutes</u>	<u>2010-2011 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	26,500	43,035	180	In Compliance
Grade 1	50,400	47,790	51,320	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	56,115	180	In Compliance
Grade 5	54,000	47,790	56,115	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	65,520	180	In Compliance
Grade 10	64,800	60,180	65,520	180	In Compliance
Grade 11	64,800	60,180	65,520	180	In Compliance
Grade 12	64,800	60,180	65,520	180	In Compliance

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 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201.

Commencing with the 2009-2010 school year and continuing through the 2012-2013 school year, a school district may reduce the equivalent of up to five days of instruction or the equivalent instructional minutes without incurring penalties, as described in *Education Code* Section 46201.2

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

<u>Program Name:</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
US Department of Agriculture: Passed Through California Department of Education (CDE): National School Lunch	10.555	13391	\$ 114,975
US Department of Education: Received Direct: Maintenance and Operations	84.041	N/A	1,517,953
Passed through CDE: NCLB: Title I Basic Grants	84.010	14329	88,158
Education Jobs Fund (SB847)	84.410	25152	47,890
NCLB: Title II - Teacher Quality	84.367	14341	23,147
NCLB: ARRA Title II - Enhancing Education through Technology	84.386	15019	1,326
NCLB: Title II - Enhancing Education Through Technology	84.318	14334	255
NCLB: Title III - Limited English Proficient	84.365	10084	22,525
NCLB: Title VI, Part B, Rural & Low Income School Program	84.358	14356	27,531
Special Education - IDEA, Basic Local Assistance Entitlement	84.027	13379	108,218
Special Education - ARRA IDEA Basic Local Assistance Entitlement	84.391	15003	47,182
Vocational Education (Carl Perkins)	84.048	13924	4,034
Total Department of Education			<u>1,888,219</u>
Total Federal Programs			<u>\$ 2,003,194</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, 2011

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Postemployment Benefits
June 30, 2011, Annual Unaudited Actual Financial Report Fund Balance	\$ 3,332,876	\$ 437,694	\$ 111,092
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:			
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	548,786	(437,694)	(111,092)
Net Adjustments and Reclassifications	548,786	(437,694)	(111,092)
June 30, 2011, Audited Financial Statement Fund Balance	\$ 3,881,662	\$ 0	\$ 0

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2011.

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget	2010-2011	Restated	
	2011-2012		2009-2010	2008-2009
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 10,528,823	\$ 11,232,741	\$ 11,210,283	\$ 11,162,312
Expenditures	10,781,803	10,457,260	10,067,088	11,285,012
Other Uses and Transfers Out	250,521	105,000	70,000	323,128
Total Outgo	11,032,324	10,562,260	10,137,088	11,608,140
Change in Fund Balance (Deficit)	(503,501)	670,481	1,073,195	(445,828)
Ending Fund Balance	\$ 3,387,593	\$ 3,881,662	\$ 3,211,181	\$ 2,137,986
Available Reserves	\$ 2,420,242	\$ 2,885,461	\$ 2,369,691	\$ 1,562,642
Unassigned/Reserve for Economic Uncertainties	\$ 436,472	\$ 426,004	\$ 412,258	\$ 469,771
Unassigned Fund Balance	\$ 1,983,770	\$ 2,459,457	\$ 1,957,433	\$ 1,092,871
Available Reserves as a Percentage of Total Outgo	21.9%	27.3%	23.4%	13.5%
Total Long-Term Debt	\$ 15,255,430	\$ 15,535,008	\$ 15,207,633	\$ 9,820,033
Average Daily Attendance at P-2	531	531	550	543

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 increased \$1,297,848 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). Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund. General Fund Balance is expected to decrease \$503,501 in 2011-2012. The District's ADA decreased by 12 during the past two years.

The District has elected to restate the amounts reported for 2009-2010 and 2008-2009 to conform with the reporting requirements of GASB 54. The effect of this restatement is to include activity occurring in the Deferred Maintenance Fund and the Special Reserve Fund for Capital Outlay Projects. The amounts reported as Budget, 2011-2012 is included for additional analysis and has not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR FUND
 JUNE 30, 2011

	<u>Cafeteria Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total Non- Major Governmental Funds</u>
<u>Assets</u>				
Cash	\$ 54,083	\$ 765,736	\$ 101,839	\$ 921,658
Accounts Receivable	18,174			18,174
Stores Inventory	216			216
Total Assets	<u>\$ 72,473</u>	<u>\$ 765,736</u>	<u>\$ 101,839</u>	<u>\$ 940,048</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 3,777			\$ 3,777
Deferred Revenue	45,881			45,881
Total Liabilities	<u>49,658</u>			<u>49,658</u>
Fund Balances:				
Nonspendable	216			216
Restricted		\$ 765,736		765,736
Assigned	22,599		\$ 101,839	124,438
Total Fund Balances	<u>22,815</u>	<u>765,736</u>	<u>101,839</u>	<u>890,390</u>
Total Liabilities and Fund Balances	<u>\$ 72,473</u>	<u>\$ 765,736</u>	<u>\$ 101,839</u>	<u>\$ 940,048</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, 2011

	<u>Cafeteria Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total Non- Major Governmental Funds</u>
<u>Revenues</u>				
Federal Revenue	\$ 114,975			\$ 114,975
Other State Revenue	30,799	\$ 3,803		34,602
Other Local Revenue	45,161	1,158,042	\$ 513	1,203,716
 Total Revenues	 <u>190,935</u>	 <u>1,161,845</u>	 <u>513</u>	 <u>1,353,293</u>
<u>Expenditures</u>				
Classified Salaries	91,769			91,769
Employee Benefits	51,681			51,681
Books and Supplies	139,110			139,110
Services and Other Operating Expenditures	8,709			8,709
Debt Service:				
Principal Retirement		235,000		235,000
Interest and Fiscal Charges		580,598		580,598
 Total Expenditures	 <u>291,269</u>	 <u>815,598</u>	 <u>0</u>	 <u>1,106,867</u>
Excess of Revenues Over (Under) Expenditures	(100,334)	346,247	513	246,426
Other Financing Sources:				
Operating Transfers In	105,000			105,000
Excess of Revenues and Other Sources Over Expenditures	4,666	346,247	513	351,426
Fund Balances - July 1, 2010	18,149	419,489	101,326	538,964
Fund Balances - June 30, 2011	<u>\$ 22,815</u>	<u>\$ 765,736</u>	<u>\$ 101,839</u>	<u>\$ 890,390</u>

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, 2011

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<u>WEST MARIN SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 32,111	\$ 14,832	\$ 19,169	\$ 27,774
<u>LIABILITIES</u>				
Due to Student Groups	\$ 32,111	\$ 14,832	\$ 19,169	\$ 27,774
<u>TOMALES ELEMENTARY SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 10,140	\$ 28,667	\$ 27,697	\$ 11,110
<u>LIABILITIES</u>				
Due to Student Groups	\$ 10,140	\$ 28,667	\$ 27,697	\$ 11,110
<u>TOMALES HIGH SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 43,086	\$ 124,153	\$ 122,780	\$ 44,459
<u>LIABILITIES</u>				
Due to Student Groups	\$ 43,086	\$ 124,153	\$ 122,780	\$ 44,459
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 85,337	\$ 167,652	\$ 169,646	\$ 83,343
<u>LIABILITIES</u>				
Due to Student Groups	\$ 85,337	\$ 167,652	\$ 169,646	\$ 83,343

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

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

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
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SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, 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, 2011, which collectively comprise the Shoreline Unified School District's basic financial statements and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 finding 2011-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in 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

October 31, 2011

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
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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 *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, 2011. 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, 2011.

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.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2011-2 to be significant deficiencies.

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 specific parties.


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

October 31, 2011

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
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SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

Board of Education
Shoreline Unified School District
Tomales, California

We have audited Shoreline Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of Shoreline Unified School District's State programs for the year ended June 30, 2011. Compliance with the applicable requirements is the responsibility of Shoreline Unified School District's management. Our responsibility is to express an opinion on the District's compliance with the applicable requirements based on our compliance audit.

We conducted our compliance 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 2010-11*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the compliance 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 State program occurred. The compliance 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 compliance audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Shoreline Unified School District's compliance with those requirements.

In connection with the compliance 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 Continuanace	3	Yes
Independent study	23	No (see next page)
Continuation education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

Board of Education
Shoreline Unified School District

<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

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Based on our compliance 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 2011-3 in the accompanying schedule of findings and questioned costs. Further, based on the compliance audit, 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 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 the responses.

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 these specified parties.


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

October 31, 2011

FINDINGS AND QUESTIONED COSTS SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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 No

Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness? Yes No

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 No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid - Maintenance and Operations
84.027, 84.391	Special Education Program Cluster

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

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness? 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, 2011

Section II - Financial Statements Findings

2011-1 - ASSOCIATED STUDENT BODY - SEGREGATION OF DUTIES - 30000

Specific Requirement That Was Not Complied With: Sound controls over Associated Student Body activities require segregation of duties for persons handling cash.

Finding: During our testing of the Tomales High School Associated Student Body (ASB), we found the ASB clerk is performing incompatible duties. The same employee is able to write checks, prepare and record deposits, reconcile the bank account to the monthly bank statement and sign checks.

Effect: Anytime the same person has access over an asset and the accounting for the assets, errors, intentional or not, may occur and not be detected by an employee performing their normal duties.

Recommendation: We recommend the District review the activities performed for the Tomales High School ASB and implement controls to prevent the individual that prepares checks from signing the checks. Checks should require two (2) signatures. The signers should not sign a check without reviewing the supporting documentation to ensure the payment is appropriate.

District Response: The duties for the ASB account have been segregated. The reconciliation of the bank account is performed by the administrative secretary who has no other duties related to the ASB account. The completed reconciliation is submitted to the District office for verification by the chief business official.

The signers on the bank account have been changed to eliminate the administrative secretary who is responsible for preparing the checks.

Section III - Federal Award Findings and Questioned Costs

2011-2 - TIME DISTRIBUTION RECORD KEEPING REQUIREMENTS - 50000

Federal Program: Special Ed: IDEA Basic Local Assistance
Special Ed: ARRA IDEA, Basic Local Assistance
CFDA Number: 84.027, 84.391

Specific Requirement That Was Not Complied With: Office of Management and Budget (OMB) Circular A-87 states that if employees are paid with federal funds, they generally must maintain time distribution records that identify the specific federal program on which they worked for a certain percentage of time. Employees working solely on a single federal program are generally required to maintain periodic certifications, in which the employee or supervisor attests every six months that the employee worked on a single federal program. Employees working on multiple federal programs (or federal and non-federal programs) are required to maintain monthly personnel activity reports.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs (Concluded)

2011-2 - TIME DISTRIBUTION RECORD KEEPING REQUIREMENTS - 50000 (CONCLUDED)

Federal Program: Special Ed: IDEA Basic Local Assistance
Special Ed: ARRA IDEA, Basic Local Assistance
CFDA Number: 84.027, 84.391

Finding: During our audit tests of federal program expenditures, we determined the employees are not preparing personnel activity reports to support the percentage of each employee's salary charged to the program.

Amount of Questioned Costs and How Computed: Based on our review of employee records and inquiry of District employees and management, we determined the programs listed below included charges for employee salaries and benefits. The amount of questioned costs is the total salaries and benefits charged to the programs as follows:

<u>Program Name</u>	<u>CFDA</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Total</u>
Special Ed: IDEA Basic Local Assistance	84.027	\$78,136	\$80,082	\$108,218
Special Ed: ARRA IDEA, Basic Local Assistance	84.391	\$33,380	\$ 6,603	\$ 39,983

We were able to satisfy ourselves that the personnel costs charged to federal programs for 2010-2011 were allowable and no adjustment is required for expenditures charged to federal programs from 2010-2011 as a result of this finding.

Effect: By not obtaining and retaining personnel activity reports, it is difficult for the District to document that the employee time charged is an allowable program expense.

Recommendation: To ensure inappropriate personnel costs are not charged to a federal program in the future, we recommend each employee with any portion of their salary charged to a federal program, complete personnel activity reports (PARs) as required by OMB Circular A-87. The PARs should be completed at least every six months and any time there is a change to the employees schedule or duties.

District Response: Procedures are being put in place that will require the periodic certifications be completed every six months for employees who work on a single federal program. Employees working on multiple federal programs will be required to maintain monthly personnel activity reports.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

Section IV - State Award Findings and Questioned Costs

2011-3 - ATTENDANCE - RECORDING CHANGES TO RECORDED ATTENDANCE - 10000

Specific Requirement That Was Not Complied With: Sound controls over attendance reporting systems requires procedures that restrict access to recording changes to reported attendance.

Finding: During our testing of attendance reporting at Shoreline Unified School District, we found that minor adjustments were being made to attendance throughout the year. There are no controls in place to prevent all staff with access to attendance, including all teachers, from making changes after an attendance period has been completed and reported.

Amount of Questioned Costs and How Computed: We considered the possible effect of the control weakness on funding and determined that the changes were inconsequential in total (less than .25 ADA). Because the District is basic aid and the exception is less than one ADA. There is no financial impact as a result of this finding. The District is also subject to 'fair share' during the economic crisis of State so changes to ADA have no real monetary effect.

Effect: By not limiting access to attendance software to prevent changes after reporting periods, errors could occur to reported attendance.

Recommendation: We recommend the District develop procedures which provide a lock on recorded attendance when the reporting period is complete. Any changes that are determined to be necessary after a period is closed, should be under the control of the District administration.

District Response: The student information system will be updated to prevent updates of attendance after the P-1 and P-2 reporting periods. If an update is necessary, the administrative secretary at the school must submit the change to the chief business official who will make the update and document the revision.

SHORELINE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2011

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. The District should establish a date each month that time cards must be submitted. Time cards received after that date should be paid on the next payroll.	Accepted Implemented	
2. The District should separate the duties of the two staff responsible for attendance and student body in order to strengthen the controls at the Tomales High School.	Accepted Partially Implemented	See current year Finding 2011-1
3. The District Office should review the Tomales High School ASB bank reconciliations monthly.	Accepted Implemented	
4. The District should implement the following recommendations for Tomales High School ASB:		
a. All payments should be supported by receipts and appropriate approvals.	Accepted Implemented	
b. All deposits should be supported by receipts.	Accepted Implemented	
c. Training should be provided to the account clerk to ensure the student body transactions are recorded to the proper account.	Accepted Implemented	
5. Procedures should be developed and staff trained and monitored to improve the audit trail for reported attendance.	Accepted Partially Implemented	See current year Finding 2011-3