
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

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December 8, 2014

Susan Skipp
Chief Business Official
Shoreline Unified School District
P.O. Box 198
Tomales, CA 94971

Dear Susan:

Enclosed are eight (8) bound copies of the annual financial report of Shoreline Unified School District for the fiscal year ended June 30, 2014. An electronic copy will be emailed to you at susan.skipp@shorelineunified.org.

Also enclosed is a letter to the Board summarizing the results of the audit. Please present this letter to the Board.

Copies of the report have been filed with the following agencies:

- Marin County Superintendent of Schools
- State Controller's Office
- State Department of Education

If you have any questions regarding these reports, please do not hesitate to contact us.

Very truly yours,



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

MH:la

enclosures

SHORELINE UNIFIED SCHOOL DISTRICT
COUNTY OF MARIN
TOMALES, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

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SHORELINE UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Shoreline Unified School District
Tomales, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison information and accounting by employer for postemployment benefits on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shoreline Unified School District's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the Shoreline Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shoreline Unified School District's internal control over financial reporting and compliance.

Goode, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 5, 2014

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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

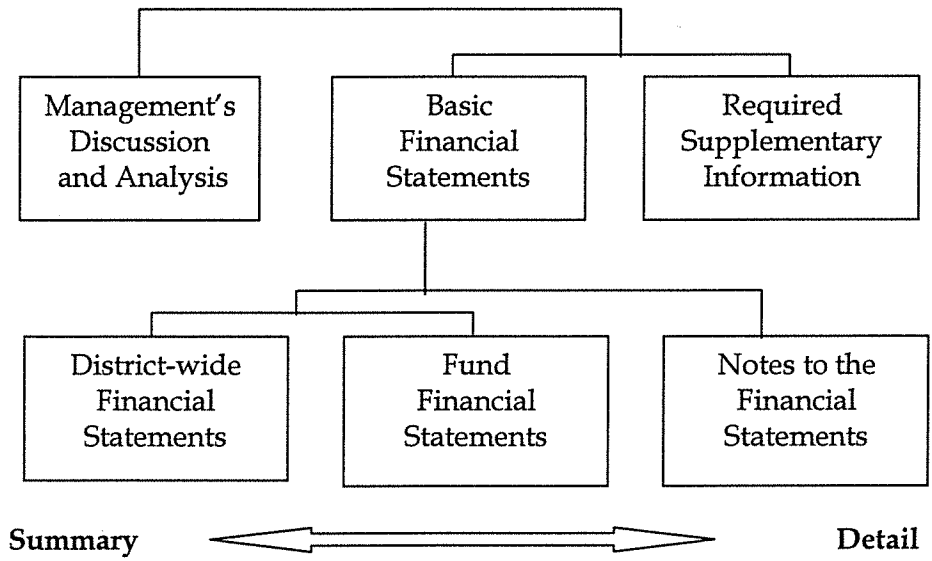
- The District received \$1,700,652 in Federal Impact Aid in 2013-2014 as compared to \$3,969,210 in 2012-2013, a decrease of \$2,268,558. Federal Impact Aid fluctuates significantly from year to year based on distributions made by the U.S. Department of Education.
- General Fund (including the Deferred Maintenance Fund and the Special Revenue Fund for Other Post Employment Benefits) expenditures and other uses exceeded revenues and other sources by \$914,948, ending the year with available reserves of \$4,848,340, 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 \$37,712,899. After depreciation, the June 30, 2014, book value for fixed assets totaled \$17,103,355.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 Position and Statement of Activities. These statements provide information about the activities of the whole 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 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 Position 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 position 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 2013-2014?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 position, 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 position 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 Bond Interest and Redemption 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 Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was \$9.5 million at June 30, 2014. Of this amount \$4.5 million was unrestricted. Net investment in capital assets, account for \$3.6 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

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

	Governmental Activities	
	2014	2013
Assets		
Cash	\$ 6,564,729	\$ 8,392,960
Accounts Receivable	665,177	323,169
Due From (To) Other Funds	300	0
Stores inventory	216	216
Prepaid expenditures	299	1,275
Capital assets	17,103,355	17,434,183
Total assets	<u>\$ 24,334,076</u>	<u>\$ 26,151,803</u>
Liabilities		
Accounts payable and other current liabilities	\$ 502,617	\$ 623,156
Unearned revenue		12,510
Long-term liabilities	14,358,564	14,790,323
Total liabilities	<u>\$ 14,861,181</u>	<u>\$ 15,425,989</u>
Net Position		
Net investment in capital assets	\$ 3,640,306	\$ 3,367,597
Restricted	1,356,265	1,525,204
Unrestricted	4,476,324	5,833,013
Total net position	<u>\$ 9,472,895</u>	<u>\$ 10,725,814</u>

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net position decreased \$1.3 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 72% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 22% 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 Position

	Governmental Activities	
	2014	2013
Revenues		
Program revenues	\$ 1,569,900	\$ 1,485,936
General revenues		
Taxes levied for general purposes	6,970,679	6,617,269
Taxes levied for other specific purposes	909,813	908,244
Taxes levied for debt service	856,503	1,357,586
Federal and State Aid not restricted to specific purposes	2,772,940	4,640,823
Interest and investment earnings	8,200	12,561
Interagency revenues	27,244	58,118
Miscellaneous	100,651	60,350
Total revenues	13,215,930	15,140,887
Expenses		
Instruction	7,264,881	7,665,596
Instruction related services	1,170,002	1,012,412
Pupil support services	1,965,791	1,906,178
General administration	826,772	844,820
Plant services	1,197,294	941,659
Other	2,044,109	1,013,483
Total expenses	14,468,849	13,384,148
Increase (decrease) in net position	\$ (1,252,919)	\$ 1,756,739

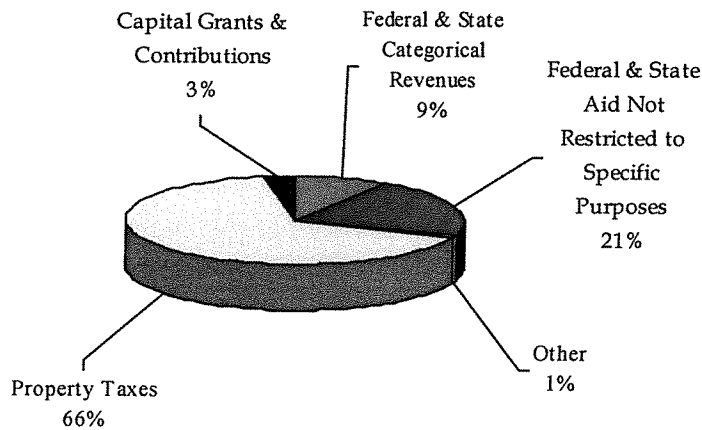
SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

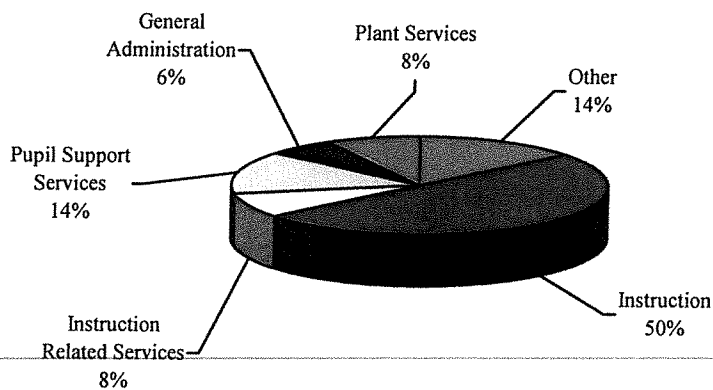
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$14.5 million. The amount that our local taxpayers financed for these activities through property taxes was \$8.7 million. Federal and state aid not restricted to specific purposes totaled \$2.8 million. State and Federal Categorical revenue totaled over \$1.2 million, and covered 9% of the expenses of the entire District (See Figure 1).

**Sources of Revenue for the 2013-2014 Fiscal Year
Figure 1**



**Expenses for the 2013-2014 Fiscal Year
Figure 2**



SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 \$6,949,970, a decrease of \$1,360,787 from the previous fiscal year's combined ending balance of \$8,310,757. This decrease is mostly reflected in the General 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 decrease to the ending balance of \$1,729,439.

The District ended the year with a decrease of \$914,948 to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 4%. The District's ending reserve was 37.1% which included this reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2013-2014 fiscal year, the District had expended \$37.7 million in a broad range of capital assets, including school buildings, multi-use facilities, site improvements, vehicles, and equipment. The capital assets, net of depreciation were \$17.1 million, which is a decrease of \$330 thousand from the previous year.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2014 and 2013

	2014	2013	Difference Increase (Decrease)
Land	\$ 829,201	\$ 829,201	
Site Improvements	175,351	194,350	\$ (18,999)
Buildings	15,429,386	15,871,436	(442,050)
Machinery and Equipment	669,417	412,557	256,860
Work in Process		126,639	(126,639)
Totals	\$ 17,103,355	\$ 17,434,183	\$ (330,828)

Additions in the current year include the work on the roofing/HVAC projects, new buses and various other items. Reductions include depreciation expense and the disposal of equipment no longer in service.

Long-Term Debt

At June 30, 2014, the District had \$14.4 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2014 and 2013

	2014	2013
General Obligation Bonds	\$ 13,400,000	\$ 13,955,000
Other Post-employment Benefits	759,443	549,920
Early Retirement Incentives	32,072	47,178
Capital Lease Obligations	63,049	92,225
Other General Long-term Debt	104,000	146,000
Totals	\$ 14,358,564	\$ 14,790,323

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The long-term debt paid by the District was approximately \$708 thousand in 2013-14.

FACTORS BEARING ON THE DISTRICT'S FUTURE

For the year 2013-2014, the District remains in basic aid status. This means that the property tax collections exceeded the calculated local control funding formula limit. It is anticipated that this trend will continue with the gap between taxes and the local control funding formula 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 \$3,969,210 in 2012-2013 and \$1,700,652 in 2013-2014.

The District has a parcel tax of \$184.70 per parcel in 2013-2014 with a 2% inflation factor added each year. The parcel tax was recently passed again by the voters through June 30, 2021. 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 2013-2014, the parcel tax generated revenue of \$909,658.

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.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 POSITION

JUNE 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash (Note 2)	\$ 6,564,729
Accounts Receivable (Note 4)	665,177
Due From (To) Other Funds (Note 5)	300
Stores Inventory (Note 1H)	216
Prepaid Expenses (Note 1H)	299
Capital Assets, Net of Depreciation (Note 6)	<u>17,103,355</u>
Total Assets	<u>\$ 24,334,076</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	\$ 502,617
Long-term Liabilities (Note 12)	
Due Within One Year	\$ 634,215
Due After One Year	<u>13,724,349</u>
Total Long-Term Liabilities	<u>14,358,564</u>
Total Liabilities	<u>\$ 14,861,181</u>
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 3,640,306
Restricted For:	
Debt Service	908,014
Education Programs	410,619
Other Purposes (Expendable)	37,632
Unrestricted	<u>4,476,324</u>
Total Net Position	<u>\$ 9,472,895</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
<u>Governmental Activities</u>					<u>Governmental Activities</u>	
Instruction	\$ 7,264,881		\$ 714,906		\$ (6,549,975)	
Instruction-Related Services:						
Supervision of Instruction	59,830		36,963		(22,867)	
Instructional Library, Media and Technology	7,190		735		(6,455)	
School Site Administration	1,102,982		401		(1,102,581)	
Pupil Services:						
Home-To-School Transportation	1,035,041		2,111	\$ 329,721	(703,209)	
Food Services	434,137	\$ 33,449	184,198		(216,490)	
All Other Pupil Services	496,613		81,015		(415,598)	
General Administration:						
Data Processing	6,484				(6,484)	
All Other General Administration	820,288		13,830		(806,458)	
Plant Services	1,197,294	321	56,297		(1,140,676)	
Ancillary Services	141,145		2,135		(139,010)	
Community Services	213,071		72,173		(140,898)	
Interest on Long-Term Debt	536,605				(536,605)	
Other Outgo	179,507		41,645		(137,862)	
Depreciation (unallocated)	973,781				(973,781)	
Total Governmental Activities	\$ 14,468,849	\$ 33,770	\$ 1,206,409	\$ 329,721	(12,898,949)	
General Revenues:						
Property Taxes Levied For:						
General Purposes						6,970,679
Debt Service						856,503
Other Specific Purposes						909,813
Federal and State Aid Not Restricted to Specific Purposes						2,772,940
Interest and Investment Earnings						8,200
Interagency Revenues						27,244
Miscellaneous						100,651
Total General Revenues						11,646,030
Change (Decrease) in Net Position						(1,252,919)
Net Position Beginning						10,725,814
Net Position Ending						\$ 9,472,895

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash (Note 2)	\$ 5,618,249	\$ 908,014	\$ 38,466	\$ 6,564,729
Accounts Receivable (Note 4)	663,543		1,634	665,177
Due From Other Funds (Note 5)	300			300
Stores Inventory (Note 1H)			216	216
Prepaid Expenditures (Note 1H)	299			299
Total Assets	\$ 6,282,391	\$ 908,014	\$ 40,316	\$ 7,230,721
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 278,067		\$ 2,684	\$ 280,751
Total Liabilities	278,067		2,684	280,751
Fund Balances (Note 1H):				
Nonspendable	3,299		216	3,515
Restricted	410,619	\$ 908,014	37,416	1,356,049
Assigned	742,066			742,066
Unassigned	4,848,340			4,848,340
Total Fund Balances	6,004,324	908,014	37,632	6,949,970
Total Liabilities and Fund Balances	\$ 6,282,391	\$ 908,014	\$ 40,316	\$ 7,230,721

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 POSITION
 JUNE 30, 2014

Total fund balance - governmental funds \$ 6,949,970

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

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets, at historical cost:	\$	37,712,899	
Accumulated depreciation:		<u>(20,609,544)</u>	
Net:			17,103,355

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: (221,866)

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

General obligation bonds	\$	13,400,000	
Other post-employment benefits		759,443	
Early retirement incentives		32,072	
Capital lease obligations		63,049	
Other general long-term debt		104,000	
Total		<u>14,358,564</u>	(14,358,564)

Total net position - governmental activities \$ 9,472,895

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Local Control Funding Formula Sources				
State Apportionments	\$ 985,357			\$ 985,357
Local Sources	6,971,739			6,971,739
Total Local Control Funding Formula Sources	7,957,096			7,957,096
Federal Revenue	1,947,483		\$ 171,136	2,118,619
Other State Revenue	639,448	\$ 4,314	14,792	658,554
Other Local Revenue	1,594,735	853,059	33,865	2,481,659
Total Revenues	12,138,762	857,373	219,793	13,215,928
<u>Expenditures</u>				
Certificated Salaries	4,825,951			4,825,951
Classified Salaries	2,332,507		145,191	2,477,698
Employee Benefits	2,658,065		79,794	2,737,859
Books and Supplies	651,394		198,637	850,031
Services and Other Operating Expenditures	1,539,251		14,682	1,553,933
Capital Outlay	595,178		228,840	824,018
Debt Service:				
Principal Retirement	29,176	555,000		584,176
Interest and Fiscal Charges	2,739	540,803		543,542
Other Outgo	137,507			137,507
Total Expenditures	12,771,768	1,095,803	667,144	14,534,715
Excess of Revenues Over (Under) Expenditures	(633,006)	(238,430)	(447,351)	(1,318,787)
Other Financing Sources (Uses):				
Operating Transfers In (Note 5)	58		240,000	240,058
Operating Transfers Out (Note 5)	(282,000)		(58)	(282,058)
Total Other Financing Sources (Uses)	(281,942)	0	239,942	(42,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(914,948)	(238,430)	(207,409)	(1,360,787)
Fund Balances - July 1, 2013	6,919,272	1,146,444	245,041	8,310,757
Fund Balances - June 30, 2014	\$ 6,004,324	\$ 908,014	\$ 37,632	\$ 6,949,970

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 FISCAL YEAR ENDED JUNE 30, 2014

Net change (decrease) in fund balances - total governmental funds \$ (1,360,787)

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:	\$	644,272	
Depreciation expense:		(973,781)	
Net:			(329,509)

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: 584,176

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (1,319)

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: 6,937

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: (209,523)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This year, expenses incurred for early retirement incentives and structured legal settlements were: 57,106

Total change (decrease) in net position - governmental activities \$ (1,252,919)

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust		
	Special Ed Settlement Trust Fund	Scholarship Fund	Agency Fund
<u>Assets</u>			
Cash (Note 2)	\$ 9,394	\$ 136,605	\$ 75,478
Total Assets	<u>\$ 9,394</u>	<u>\$ 136,605</u>	<u>\$ 75,478</u>
<u>Liabilities</u>			
Due to Other Funds (Note 5)		\$ 300	
Due to Student Groups			\$ 75,478
Total Liabilities	<u>\$ 0</u>	<u>\$ 300</u>	<u>\$ 75,478</u>
<u>Net Position</u>			
Reserved for Special Ed Settlement Payments	\$ 9,394		
Reserved for Scholarships		\$ 136,305	
Total Net Position	<u>\$ 9,394</u>	<u>\$ 136,305</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trust	
	Special Ed Settlement Trust Fund	Scholarship Fund
<u>Additions</u>		
Donations and Gifts		\$ 53,954
Interest and Investment Earnings	\$ 41	100
Transfers In (Note 5)	42,000	
Total Additions	<u>42,041</u>	<u>54,054</u>
<u>Deductions</u>		
Scholarships		51,800
Special Ed Settlement Payments	67,070	
Total Deductions	<u>67,070</u>	<u>51,800</u>
Change in Net Position (Decrease)	(25,029)	2,254
Total Net Position - July 1, 2013	<u>34,423</u>	<u>134,051</u>
Total Net Position - June 30, 2014	<u>\$ 9,394</u>	<u>\$ 136,305</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 position and the statement of changes in net position) 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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.

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.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

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.

Unearned revenue:

Unearned 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 unearned 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 unearned 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.

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:

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

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. 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.

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.

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 two non-major capital projects fund:

1. Building Fund is used to account for major governmental capital facilities and buildings from the sale of bond proceeds. This fund was closed by the Governing Board on October 17, 2013.
2. Special Reserve Fund for Capital Outlay Projects is used to account for special capital projects as designated by the Board of Trustees. This fund was closed by the Governing Board on October 17, 2013.

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 two Private Purpose Trust Funds:

1. Scholarship Fund holds the monies donated by the community for scholarships for our students. The scholarships that are awarded each year are paid for this fund.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

FIDUCIARY FUNDS (CONCLUDED):

Private Purpose Trust Funds (Concluded)

2. Special Education Settlement Trust Fund functions as a trust account to hold the funds transferred from the General Fund and to make payments for the special ed settlement. The trust fund will remain in operation until the final payment is made in 2019-2020.

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 budgets are presented for the General Fund 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 commercial bank accounts 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 investment 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 benefitted period.

3. Capital Assets

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

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned 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 Position.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Position

In the government-wide financial statements, net position is classified in the following categories:

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets " or "restricted net position".

8. Use of Restricted/Unrestricted Net Position

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

9. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent.

Nonspendable Fund Balance - Includes the portions of fund balance not appropriate 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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Continued)

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, 2014 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Nonspendable:				
Revolving Fund	\$ 3,000			\$ 3,000
Stores Inventory			\$ 216	216
Prepaid Expenditures	299			299
Total Nonspendable Fund Balance	3,299		216	3,515
Restricted For:				
Legally Restricted Categorical Funding	410,619			410,619
Debt Service		\$ 908,014		908,014
Food Service Program			37,416	37,416
Total Restricted Fund Balance	410,619	908,014	37,416	1,356,049
Assigned For:				
Other Postemployment Benefits	111,612			111,612
Program Carryover	188,420			188,420
District House Repairs	14,508			14,508
Future Facilities Maintenance/Repairs	427,526			427,526
Total Assigned Fund Balance	742,066	0	0	742,066
Unassigned:				
Reserve for Economic Uncertainties	512,574			512,574
Other Unassigned	4,335,766			4,335,766
Total Unassigned Fund Balance	4,848,340	0	0	4,848,340
Total Fund Balances	\$ 6,004,324	\$ 908,014	\$ 37,632	\$ 6,949,970

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue 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 control funding formula sources by the District.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

10. Local Control Funding Formula/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 Local Control Funding Formula Revenue 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. Impact of Recently Issued Accounting Principles

The GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* in March, 2013. GASB 65 was intended to compliment Statement No. 63 by identifying items previously reported as assets and liabilities that should be classified as deferred outflows or deferred inflows going forward. The District was required to implement the Statement 65 in 2013-2014.

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* in April 2013 to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The Statement is effective beginning in fiscal year 2013-2014. The District does not have nonexchange financial guarantees and therefore the adoption of GASB 70 does not have any impact on the District's financial statements.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2014:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$6,564,729</u>	<u>\$221,477</u>	<u>\$6,786,206</u>

The District had the following cash at June 30, 2014:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
Cash in Commercial Banks	\$ 75,478	\$ 75,478	Not Rated
Cash in Revolving Fund	3,000	3,000	Not Rated
Cash in County Treasury	6,709,009	6,707,728	Not Rated
Total	<u>\$ 6,787,487</u>	<u>\$ 6,786,206</u>	

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2014 the carrying amount of the District's accounts was \$78,478, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$761,148,959. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$761,294,340. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

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

At June 30, 2014 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 4</u>	<u>More than 4</u>
County Treasury	<u>\$ 6,709,009</u>	<u>\$ 5,117,632</u>	<u>\$ 1,591,377</u>	<u>\$ 0</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations in individual governmental funds as of June 30, 2014, are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Certificated Salaries	\$ 30,592
Classified Salaries	32,988
Capital Outlay	330,646
Other Outgo	17,423
Non-Major Governmental Funds:	
Cafeteria Fund	
Food and Supplies	11,827
Contract Services	482

The District incurred unanticipated expenditures for which the budgets were not revised.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Federal Government			
Categorical Aid Programs	\$ 61,082		\$ 61,082
State Government			
Local Control Funding Formula	163,395		163,395
Categorical Aid Programs	3,238		3,238
Lottery	40,043		40,043
Other	330,631	\$ 1,618	332,249
Total State Government	537,307	1,618	538,925
Local Government	54,331		54,331
Miscellaneous	10,823	16	10,839
Total Accounts Receivable	<u>\$ 663,543</u>	<u>\$ 1,634</u>	<u>\$ 665,177</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.

Interfund Receivables and Payables

Individual fund interfund receivables and payables balances at June 30, 2014 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 300	
Fiduciary Funds:		
Scholarship Fund		\$ 300
Total	<u>\$ 300</u>	<u>\$ 300</u>

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2013-2014 fiscal year were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 58	\$ 282,000
Non-Major Governmental Funds:		
Cafeteria Fund	240,000	
Building Fund		32
Special Reserve Fund for Capital Outlay Projects		26
Subtotal Governmental Funds	240,058	282,058
Fiduciary Funds:		
Scholarship Fund	42,000	
Total	\$ 282,058	\$ 282,058

Transfer of \$240,000 from the General Fund to the Cafeteria Fund to supplement program revenues to provide positive cash flow.

Transfer of \$42,000 from the General Fund to the Trust Fund to cover legal settlement.

Transfer of \$32 from the Building Fund and \$26 from the Special Reserve Fund for Capital Outlay Projects to the General Fund to close the capital projects funds upon completion of the construction projects.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, is shown below:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 829,201			\$ 829,201
Work in progress	126,639	\$ 238,754	\$ 365,393	0
Total capital assets, not being depreciated	<u>955,840</u>	<u>238,754</u>	<u>365,393</u>	<u>829,201</u>
Capital assets being depreciated:				
Buildings	30,686,613	433,490		31,120,103
Improvements of sites	3,372,932			3,372,932
Equipment	2,097,216	337,421	43,974	2,390,663
Total capital assets, being depreciated	<u>36,156,761</u>	<u>770,911</u>	<u>43,974</u>	<u>36,883,698</u>
Less accumulated depreciation for:				
Buildings	14,815,177	875,540		15,690,717
Improvements of sites	3,178,582	18,999		3,197,581
Equipment	1,684,659	79,242	42,655	1,721,246
Total accumulated depreciation	<u>19,678,418</u>	<u>973,781</u>	<u>42,655</u>	<u>20,609,544</u>
Total capital assets, being depreciated, net	<u>16,478,343</u>	<u>(202,870)</u>	<u>1,319</u>	<u>16,274,154</u>
Governmental activities capital assets, net	<u>\$ 17,434,183</u>	<u>\$ 35,884</u>	<u>\$ 366,712</u>	<u>\$ 17,103,355</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated	<u>\$ 973,781</u>
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NOTE 7- GENERAL OBLIGATION BONDS

In September 2011 refunding bonds in the amount of \$5,270,000 were issued to defease the 2001 and 2002 series bond issues. The bonds bear interest rates of 2.5% to 3.64% with maturity dates of August 1, 2012 through August 1, 2026.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7- GENERAL OBLIGATION BONDS (CONCLUDED)

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

The outstanding general obligation bonded debt of the Shoreline Unified School District as of June 30, 2014 is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Redeemed Current Year	Outstanding June 30, 2014
2010	3.0-5.0	2036	\$ 9,290,000	\$ 8,915,000	\$ 255,000	\$ 8,660,000
2011	2.5-3.64	2027	5,270,000	5,040,000	300,000	4,740,000
Totals			<u>\$ 14,560,000</u>	<u>\$ 13,955,000</u>	<u>\$ 555,000</u>	<u>\$ 13,400,000</u>

The annual requirement to amortize general obligation bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 565,000	\$ 520,952	\$ 1,085,952
2016	590,000	497,328	1,087,328
2017	615,000	476,852	1,091,852
2018	635,000	458,403	1,093,403
2019	650,000	437,578	1,087,578
2020-2024	3,575,000	1,845,328	5,420,328
2025-2029	3,115,000	1,158,022	4,273,022
2030-2034	2,490,000	582,190	3,072,190
2035-2039	1,165,000	56,520	1,221,520
Totals	<u>\$ 13,400,000</u>	<u>\$ 6,033,173</u>	<u>\$ 19,433,173</u>

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL LEASE OBLIGATIONS

The District leases two buses under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
2015	\$ 31,915 <i>Principal</i>
2016	17,101
2017	17,101
Total payments	66,117
Less amounts representing interest	(3,068)
Present value of net minimum lease payments	<u>\$ 63,049</u>

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

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.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2014, the District assigned \$111,612 in the General Fund for the payment of future postemployment benefits.

Annual OPEB Cost

For fiscal year ended June 30, 2014, the District's annual OPEB cost (expense) was \$276,328. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are 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>
2014	\$276,328	24%	\$759,443 ✓
2013	\$241,321	27%	\$549,920
2012	\$243,586	38%	\$374,250

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	\$286,133
Interest on OPEB obligation	21,997
Adjustment to annual required contribution	<u>(31,802)</u>
Annual OPEB cost (expense)	276,328
Payments made	<u>(66,805)</u>
Increase in net OPEB obligation	209,523
Net OPEB obligation-beginning of year	<u>549,920</u> ✓
Net OPEB obligation-end of year	<u>\$759,443</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,013,470, 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.

The funded status of the plan as of July 1, 2013 was as follows:

Actuarial accrued liability (AAL)	\$2,013,470
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$2,013,470</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, 2013, actuarial valuation, the "projected unit credit" actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return, an annual healthcare cost trend rate of 8% 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 open amortization period.

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).

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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.

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 2013-2014 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, 2014, 2013, and 2012 were \$402,337, \$368,194 and \$345,244, 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 2013-2014 was 11.442% 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, 2014, 2013 and 2012 were \$258,598, \$214,317 and \$201,640, respectively, and equal 100% of the required contributions for each year.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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.

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, 2014. 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 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.

Future payments excluding interest and administrative costs for the two employees that retired are \$32,072 and are reported as long-term debt by the District in the Government-Wide Statement of Net Position.

Year Ended June 30	Early Retirement Incentives
2015	\$ 15,106
2016	8,483
2017	8,483
Total	\$ 32,072

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - OTHER LONG-TERM DEBT

In addition to the commitments and contingencies described in Note 14, the District settled a lawsuit with a family of a District student for \$440 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 non-interest bearing and the amortization of the remaining liability is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>
2015	\$ 24,000
2016	24,000
2017	24,000
2018	10,667
2019	21,333
Total	<u>\$ 104,000</u>

*New
STPS
costs*

NOTE 12 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014, is shown below.

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 13,955,000		\$ 555,000	\$ 13,400,000	\$ 565,000
Capital Lease Obligations	92,225		29,176	63,049	30,109
Other Post-employment Benefits	549,920	\$ 276,328	66,805	759,443	
Early Retirement Incentives	47,178		15,106	32,072	15,106
Other Long-Term Debt	146,000		42,000	104,000	24,000
Totals	<u>\$ 14,790,323</u>	<u>\$ 276,328</u>	<u>\$ 708,087</u>	<u>\$ 14,358,564</u>	<u>\$ 634,215</u>

General Obligation Bond payments will be made from the Bond Interest and Redemption Fund with local property taxes. The Capital Lease Obligations, Early Retirement Incentives, Other Post-Employment Benefits and Other Long-Term Debt will be paid from the General Fund.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014, 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 2014, 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, 2014.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 - SUBSEQUENT EVENT

Management has evaluated subsequent events through December 5, 2014, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Local Control Funding				
Formula Sources:				
State Apportionments	\$ 80,279	\$ 966,504	\$ 985,357	\$ 18,853
Local Sources	6,708,715	6,724,513	6,971,739	247,226
Total Local Control Funding				
Formula Sources	6,788,994	7,691,017	7,957,096	266,079
Federal Revenue	1,632,665	2,049,463	1,947,483	(101,980)
Other State Revenue	817,367	314,748	639,448	324,700
Other Local Revenue	1,502,652	1,574,946	1,594,735	19,789
Total Revenues	<u>10,741,678</u>	<u>11,630,174</u>	<u>12,138,762</u>	<u>508,588</u>
<u>Expenditures</u>				
Certificated Salaries	4,799,180	4,795,359	4,825,951	(30,592)
Classified Salaries	2,276,369	2,299,519	2,332,507	(32,988)
Employee Benefits	2,658,231	2,737,255	2,658,065	79,190
Books and Supplies	452,642	1,070,781	651,394	419,387
Services and Other				
Operating Expenditures	1,443,164	1,758,226	1,539,251	218,975
Capital Outlay	5,000	264,532	595,178	(330,646)
Debt Service:				
Principal Retirement	29,176	29,176	29,176	
Interest and Fiscal Charges	2,739	2,739	2,739	
Other Outgo	110,000	120,084	137,507	(17,423)
Total Expenditures	<u>11,776,501</u>	<u>13,077,671</u>	<u>12,771,768</u>	<u>305,903</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,034,823)</u>	<u>(1,447,497)</u>	<u>(633,006)</u>	<u>814,491</u>
Other Financing Sources (Uses):				
Operating Transfers In	40,626	58	58	
Operating Transfers Out	(262,626)	(282,000)	(282,000)	
Total Other Financing Sources (Uses)	<u>(222,000)</u>	<u>(281,942)</u>	<u>(281,942)</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,256,823)	(1,729,439)	(914,948)	814,491
Fund Balances - July 1, 2013	<u>6,174,974</u>	<u>6,919,272</u>	<u>6,919,272</u>	<u>0</u>
Fund Balances - June 30, 2014	<u>\$ 4,918,151</u>	<u>\$ 5,189,833</u>	<u>\$ 6,004,324</u>	<u>\$ 814,491</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/12	July 1, 2010	\$ -	\$ 1,798,111	\$ 1,798,111	0%	\$ 6,009,770	29.9%
6/30/13	July 1, 2010	\$ -	\$ 1,798,111	\$ 1,798,111	0%	\$ 6,238,347	28.8%
6/30/14	July 1, 2013	\$ -	\$ 2,013,470	\$ 2,013,470	0%	\$ 6,425,497	31.3%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

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

B. Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

TOMALES, CALIFORNIA

JUNE 30, 2014

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>
Jane Healy	President	December, 2017
Jill Manning Sartori	Vice President	December, 2015
Kegan Stedwell	Clerk	December, 2015
Tim Kehoe	Trustee	December, 2017
Jim Lino	Trustee	December, 2017
Clarette McDonald	Trustee	December, 2015
Monique Moretti	Trustee	December, 2015

ADMINISTRATION

Tom Stubbs
Superintendent

Susan Skipp
Chief Business Official

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional Kindergarten through Third	138	138
Fourth through Sixth	115	115
Seventh and Eighth	68	69
Ninth through Twelfth	<u>160</u>	<u>161</u>
ADA Totals	<u><u>481</u></u>	<u><u>483</u></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, 2014

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement As Reduced</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	43,005	180	In Compliance
Grade 1	50,400	49,000	50,900	180	In Compliance
Grade 2	50,400	49,000	54,305	180	In Compliance
Grade 3	50,400	49,000	54,305	180	In Compliance
Grade 4	54,000	52,500	55,975	180	In Compliance
Grade 5	54,000	52,500	55,975	180	In Compliance
Grade 6	54,000	52,500	57,541	180	In Compliance
Grade 7	54,000	52,500	57,541	180	In Compliance
Grade 8	54,000	52,500	57,541	180	In Compliance
Grade 9	64,800	63,000	65,400	180	In Compliance
Grade 10	64,800	63,000	65,400	180	In Compliance
Grade 11	64,800	63,000	65,400	180	In Compliance
Grade 12	64,800	63,000	65,400	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

For the 2013-2014 and 2014-2015 school years, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
Program Name:			
U.S. Department of Agriculture:			
Passed through the California			
Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524	\$ 117,307
School Breakfast Basic	10.553	13525	53,829
Subtotal Child Nutrition Cluster			<u>171,136</u>
Total U.S. Department of Agriculture			<u>171,136</u>
US. Department of Education:			
Impact Aid (Title VII of ESEA)	84.041 *	10015	1,700,652
Passed through CDE:			
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	35,914
IDEA, Basic Local Assistance, Part B, Section 611	84.027	13379	117,421
Vocational Programs - Adult Sec 131 (Carl Perkins Act)	84.048	14894	3,799
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	22,386
NCLB: Title II, Part A, Teacher Quality	84.367	14341	33,580
NCLB: Title IV, Part B - Rural and Low Income School Program (REAP)	84.358	14356	<u>33,731</u>
Total U.S. Department of Education			<u>1,947,483</u>
Total Federal Programs			<u>\$ 2,118,619</u>

* Denotes a major program.

** This does not include federal commodities received by the District, valued at \$9,176.

SHORELINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund for Postemployment Benefits</u>
June 30, 2014, Annual Unaudited Actual Financial Report Fund Balance	\$ 5,465,186	\$ 427,526	\$ 111,612
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.	<u>539,138</u>	<u>(427,526)</u>	<u>(111,612)</u>
Net Adjustments and Reclassifications	<u>539,138</u>	<u>(427,526)</u>	<u>(111,612)</u>
June 30, 2014, Audited Financial Statement Fund Balance	<u>\$ 6,004,324</u>	<u>\$ 0</u>	<u>\$ 0</u>

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, 2014.

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget			
	2014-2015	2013-2014	2012-2013	2011-2012
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 11,442,198	\$ 12,138,820	\$ 13,573,844	\$ 12,019,681
Expenditures	12,640,594	12,771,768	11,343,283	10,779,632
Other Uses and Transfers Out	274,000	282,000	238,000	195,000
Total Outgo	12,914,594	13,053,768	11,581,283	10,974,632
Change in Fund Balance (Deficit)	(1,472,396)	(914,948)	1,992,561	1,045,049
Ending Fund Balance	\$ 3,717,437	\$ 6,004,324	\$ 6,919,272	\$ 4,926,711
Available Reserves	\$ 3,025,742	\$ 4,848,340	\$ 5,688,585	\$ 3,775,650
Reserve for Economic Uncertainties	\$ 514,900	\$ 512,574	\$ 467,212	\$ 442,478
Unassigned Fund Balance	\$ 2,510,842	\$ 4,335,766	\$ 5,221,373	\$ 3,333,172
Available Reserves as a Percentage of Total Outgo	23.4%	37.1%	49.1%	34.4%
Total Long-Term Debt	\$ 13,724,349	\$ 14,358,564	\$ 14,790,323	\$ 15,230,681
Average Daily Attendance at P-2	452	481	519	552

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 has increased \$2,122,662 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 \$1,472,396 in 2014-2015. The District's ADA decreased by 71 during the past two years. Total long-term debt has decreased \$872,117 during the past two years.

The amounts reported as budget 2014-2015 are presented for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUND
JUNE 30, 2014

	<u>Cafeteria Fund</u>
<u>Assets</u>	
Cash	\$ 38,466
Accounts Receivable	1,634
Stores Inventory	<u>216</u>
Total Assets	<u>\$ 40,316</u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Accounts Payable	<u>\$ 2,684</u>
Total Liabilities	<u>2,684</u>
Fund Balances:	
Nonspendable	216
Restricted	<u>37,416</u>
Total Fund Balances	<u>37,632</u>
Total Liabilities and Fund Balances	<u>\$ 40,316</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, 2014

	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<u>Revenues</u>				
Federal Revenue	\$ 171,136			\$ 171,136
Other State Revenue	14,792			14,792
Other Local Revenue	33,807	\$ 32	\$ 26	33,865
Total Revenues	<u>219,735</u>	<u>32</u>	<u>26</u>	<u>219,793</u>
<u>Expenditures</u>				
Classified Salaries	145,191			145,191
Employee Benefits	79,794			79,794
Books and Supplies	198,637			198,637
Services and Other Operating Expenditures	14,682			14,682
Capital Outlay		126,639	102,201	228,840
Total Expenditures	<u>438,304</u>	<u>126,639</u>	<u>102,201</u>	<u>667,144</u>
Excess of Revenues Over (Under) Expenditures	<u>(218,569)</u>	<u>(126,607)</u>	<u>(102,175)</u>	<u>(447,351)</u>
Other Financing Sources:				
Operating Transfers In	240,000			240,000
Operating Transfers Out		(32)	(26)	(58)
Total Other Financing Sources (Uses)	<u>240,000</u>	<u>(32)</u>	<u>(26)</u>	<u>239,942</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	21,431	(126,639)	(102,201)	(207,409)
Fund Balances - July 1, 2013	<u>16,201</u>	<u>126,639</u>	<u>102,201</u>	<u>245,041</u>
Fund Balances - June 30, 2014	<u>\$ 37,632</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,632</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
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<u>WEST MARIN SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 19,699	\$ 13,130	\$ 12,740	\$ 20,089
<u>LIABILITIES</u>				
Due to Student Groups	\$ 19,699	\$ 13,130	\$ 12,740	\$ 20,089
<u>TOMALES ELEMENTARY SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 11,464	\$ 18,805	\$ 17,341	\$ 12,928
<u>LIABILITIES</u>				
Due to Student Groups	\$ 11,464	\$ 18,805	\$ 17,341	\$ 12,928
<u>TOMALES HIGH SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 37,164	\$ 81,112	\$ 75,815	\$ 42,461
<u>LIABILITIES</u>				
Due to Student Groups	\$ 37,164	\$ 81,112	\$ 75,815	\$ 42,461
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 68,327	\$ 113,047	\$ 105,896	\$ 75,478
<u>LIABILITIES</u>				
Due to Student Groups	\$ 68,327	\$ 113,047	\$ 105,896	\$ 75,478

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

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 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. 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.

D. 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*.

E. 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.

F. Schedule of Financial Trends and Analysis

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

G. Combining Statements and Individual Fund Schedules

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
CHRISTOPHER PORTER, CPA
REBECCA A. SANCHEZ, CPA
LIZA D. BRIGHT, CPA
ROBERT J. GOODELL, CPA
MICHELLE M. HENSON, CPA

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

Board of Trustees
Shoreline Unified School District
Tomales, California

We have audited, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise Shoreline Unified School District's basic financial statements and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Goode, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 5, 2014

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

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

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

Board of Trustees
Shoreline Unified School District
Tomales, California

Report on Compliance for Each Major Federal Program

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 Shoreline Unified School District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

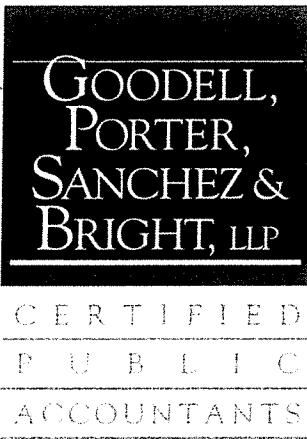
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Goodell, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 5, 2014



JOHN W. GOODSELL, CPA
 MICHAEL J. PORTER, CPA
 DEBBIE L. SANCHEZ, CPA
 JAMES R. BRIGHT, CPA
 MICHAEL J. PORTER, CPA
 AND ELLIOTT HANSON, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
 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 2013-2014* that could have a direct and material effect on each of Shoreline Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of Shoreline Unified School District's State government programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*. Those standards 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 the applicable State laws and regulations listed below 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 a reasonable basis for our opinion. However, our audit does not provide a legal determination of Shoreline Unified School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Mis-assignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see next page)
Continuation Education	10	Not Applicable
Instructional Time for school districts	10	Yes
Instructional Materials general requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
GANN Limit Calculation	1	Yes

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	4	Not Applicable
Charter School Facility Grant Program	1	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. Procedures were also not performed for California Clean Energy Jobs Act because there were no expenditures.

Opinion on Each State Government Program

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP
 GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
 Certified Public Accountants

December 5, 2014

FINDINGS AND QUESTIONED COSTS SECTION

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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: Unqualified

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II - Financial Statements Findings

No matters are reported.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

SHORELINE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013 - 1: To improve internal and budgetary controls, all District expenditures should be supported by a completed purchase order prepared and approved in advance of the purchase. Before the purchase is approved, the budget should be reviewed for availability of funds and the order should be coded and encumbered.

Current Status:

Accepted
Implemented

2013 - 2: Program Attendance sheets for the After School Education and Safety Program should state the reasons for each instance of early release.

Current Status:

Accepted
Implemented
