

**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

MADERA UNIFIED SCHOOL DISTRICT

OF MADERA COUNTY

MADERA, CALIFORNIA

JUNE 30, 2005

GOVERNING BOARD

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|---------------------|---------------|---------------------|
| Michael H. Westley | President | 2006 |
| Philip D. Janzen | Clerk | 2006 |
| Ray G. Seibert | Trustee | 2008 |
| John N. Peters | Trustee | 2006 |
| Robert E. Garibay | Trustee | 2008 |
| J. Gary Adams | Trustee | 2008 |
| Paul "Bruce" Norton | Trustee | 2006 |

ADMINISTRATION

| | |
|--------------------|------------------------------|
| Julia O'Kane, Ed.D | Superintendent |
| Larry N. Risinger | Chief Executive Officer |
| Alma Baker | Chief Academic Officer, K-6 |
| Michael Young | Chief Academic Officer, 7-12 |
| Jake Bragonier | Public Information Officer |

MADERA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2005

FINANCIAL SECTION

| | |
|---|----|
| Independent Auditors' Report | 2 |
| Management's Discussion and Analysis | 4 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Assets | 15 |
| Statement of Activities | 16 |
| Fund Financial Statements | |
| Governmental Funds - Balance Sheet | 17 |
| Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 18 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance | 19 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities | 20 |
| Proprietary Funds - Statement of Net Assets | 22 |
| Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets | 23 |
| Proprietary Funds - Statement of Cash Flows | 24 |
| Fiduciary Funds - Statement of Net Assets | 25 |
| Fiduciary Funds - Statement of Changes in Net Assets | 26 |
| Notes to Financial Statements | 27 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|--|----|
| General Fund - Budgetary Comparison Schedule | 57 |
|--|----|

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Schedule of Expenditures of Federal Awards | 59 |
| Schedule of Average Daily Attendance | 60 |
| Schedule of Instructional Time | 61 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 62 |
| Schedule of Financial Trends and Analysis | 63 |
| Schedule of Charter Schools | 64 |
| Note to Supplementary Information | 65 |

SUPPLEMENTARY INFORMATION - UNAUDITED

| | |
|--|----|
| Combining Statements - Non-Major Governmental Funds | |
| Combining Balance Sheet - Unaudited | 67 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited | 68 |
| Note to Unaudited Supplementary Information - Unaudited | 70 |

INDEPENDENT AUDITORS' REPORTS

| | |
|---|----|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 72 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 74 |
| Report on State Compliance | 76 |

MADERA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | |
|---|----|
| Summary of Auditors' Results | 79 |
| Financial Statement Findings | 80 |
| Federal Award Findings and Questioned Costs | 81 |
| State Award Findings and Questioned Costs | 82 |
| Summary Schedule of Prior Audit Findings | 83 |

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Madera Unified School District
Madera, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

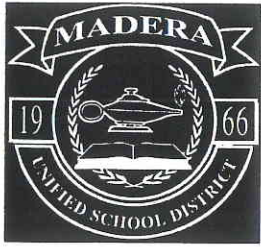
In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 14 and budgetary comparison information on page 57, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Varrinell, Trine, Day & Co., LLP
Fresno, California
September 30, 2005



MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2004-05

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Philip D. Janzen, Clerk
J. Gary Adams
Robert E. Garibay
Bruce Norton
John N. Peters
Ray G. Seibert

This section of Madera Unified School District (MUSD) annual financial report presents the District's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005.

FINANCIAL HIGHLIGHTS

- The District's total net assets for all Governmental Activities for the 2004-05 year were \$116.2 million.
- Overall revenues were \$159.4 million, fully \$25.7 million more than expenses.
- The District's net capital assets increased from \$49.7 million to \$96.1 million; 94% increase over prior year. This was due to the construction projects at Nishimoto Elementary, Desmond Middle School, and Madera South High School.
- The District increased its outstanding long-term debt due to the General Obligations Bond of \$26 million to build new schools.

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. The basic financial statements include two kinds of statements that present different views of the District:

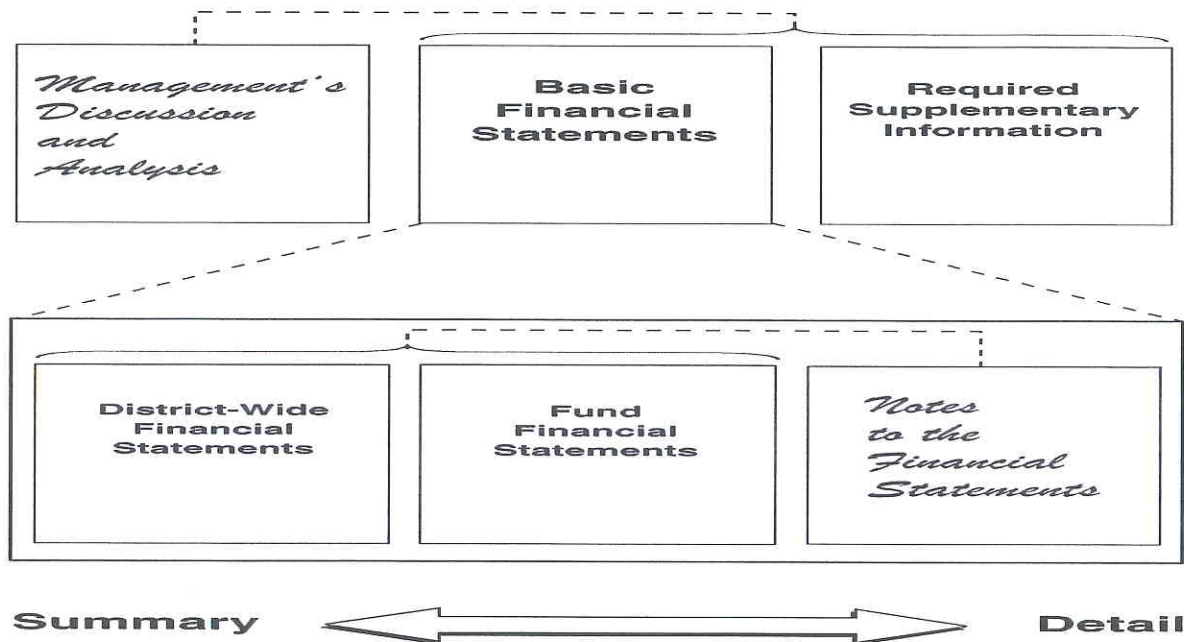
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

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 with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Madera Unified's Annual Financial Report



MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the Districtwide and Fund Financial Statements

| Type of Statements | District-wide | Fund Statements | |
|--|--|--|---|
| | | Governmental Funds | Fiduciary Funds |
| Scope | Entire District, except fiduciary activities | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Instances in which the District administers resources on behalf of someone else, such as student body activities. |
| Required financial statements | <ul style="list-style-type: none"> • statement of net assets • statement of activities | <ul style="list-style-type: none"> • balance sheet • statement of revenues, expenditures & changes in fund balances • reconciliation to governmentwide financial statements | <ul style="list-style-type: none"> • statement of fiduciary net assets • statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; standard funds do not currently contain nonfinancial assets, though they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid |

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

In the district-wide financial statements the District's activities are combined into one category:

- Governmental activities - The District's basic services are included here, such as regular and special education, transportation, food services, adult education and administration. Property taxes, state formula aid and fees charged, finance most of these activities.

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 by State law.
- The District establishes other funds to control and manage money for particular purposes (like food services and adult education) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were significantly larger on June 30, 2005, than they were the year before, increasing more than 29% percent to \$116.2 million. (see Table A-1.) This improvement in the District's financial position came from its governmental activities, the net assets of which grew \$25.6 million.

Table A-1
Net Assets
(in millions of dollars)

| | Governmental Activities | |
|---|-------------------------|----------------|
| | 2005 | 2004 |
| Current and Other Assets | \$ 112.2 | \$ 103.2 |
| Capital Assets | 96.1 | 49.7 |
| Total Assets | 208.3 | 152.9 |
| Long-Term Debt Outstanding | 68.0 | 46.7 |
| Other Liabilities | 24.1 | 15.5 |
| Total Liabilities | 92.1 | 62.2 |
| Invested in Capital Assets, net of related debt | 29.3 | 4.2 |
| Restricted | 72.1 | 75.8 |
| Unrestricted | 14.8 | 10.6 |
| Total Net Assets | \$ 116.2 | \$ 90.6 |

The District's improved financial position is the product of several factors. However, one event of the last year stands out:

- The investment in capital assets through the construction in progress at Nishimoto Elementary, Desmond Middle School, and Madera South High School.

Changes in net assets. The District's total governmental revenues were \$159.4 million (see Table A-2). Property taxes and state aid formula accounted for most of the District's revenue, with state aid contributing about 50¢ of every dollar raised and property taxes contributing about 10¢ of every dollar raised (see Figure A-3). Another 33¢ came from categorical programs, and the remainder from fees charged for services 1¢ and miscellaneous sources 6¢.

The total cost of all governmental programs and services was \$133.7 million. The District's expenses are predominantly related to educating and caring for students (82%) (see Figure A-4). The purely administrative activities of the District accounted for just 6% of total costs. Maintenance, operations, facility acquisition and construction expenses account for 12% of the District's expenses.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

Total revenues surpassed expenses, increasing net assets \$25.7 million over last year. Governmental activities contributed to the District's healthier fiscal status.

Table A-2
Changes in Net Assets
(in millions of dollars)

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2005 | 2004 |
| Revenues: | | |
| General Revenues: | | |
| State Aid Formula | \$ 78.1 | \$ 66.1 |
| Property Taxes | 15.6 | 21.8 |
| Other | 12.5 | 8.4 |
| Program Revenues: | | |
| Charges for Services | 0.9 | 0.8 |
| Categorical Revenues | 52.3 | 58.9 |
| Total Revenues | <u>159.4</u> | <u>156.0</u> |
| Expenses: | | |
| Instruction Related | 92.5 | 86.6 |
| Pupil Servicews | 15.6 | 15.1 |
| General Administration | 7.3 | 7.7 |
| Plant Services | 11.9 | 11.7 |
| Other Outgo | 6.4 | 3.0 |
| Total Expenses | <u>133.7</u> | <u>124.1</u> |
| Increase (Decrease) in Net Assets | <u><u>\$ 25.7</u></u> | <u><u>\$ 32.0</u></u> |

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

GOVERNMENTAL ACTIVITIES

Revenues for the District's governmental activities were \$159.4 million, while total expenses were \$133.7 million. The increase in net assets for governmental activities was \$25.7 million in 2005.

The recent good health of the District's finances can be credited both to a strong economy and innovative management changes in light of budget reductions at the State level:

- \$1 million in budget cuts were made to the General Fund to balance the 2004-05 Adopted Budget. The majority of the cuts were not reinstated as funding became available due to anticipated financial impact of opening new schools in 2005-06.
- The Net Capital Assets increased \$46.4 million due to the construction projects completed and currently in progress.
- An additional \$26.5 million General Obligation Bond was issued for New Construction of school facilities during the 2004-05 fiscal year.

Table A-3 presents the cost of six major District activities: instruction; student transportation services; food services; general administration; plant services; and other costs. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3
Net Cost of Governmental Activities
(in millions of dollars)

| | Total Cost of Services | | Net Cost of Services | |
|--------------------------|------------------------|-----------------|----------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Instruction | \$ 95.0 | \$ 86.6 | \$ 56.3 | \$ 42.4 |
| Student Transportation | 4.5 | 4.5 | 0.9 | (0.1) |
| Food Services | 5.9 | 5.5 | 1.0 | 0.4 |
| All Other Pupil Services | 5.2 | 5.1 | 3.7 | 4.2 |
| General Administration | 7.3 | 7.7 | 5.0 | 4.8 |
| Plant Services | 11.9 | 11.7 | 10.6 | 11.0 |
| Other | 3.9 | 3.0 | 3.0 | 1.6 |
| Total | \$ 133.7 | \$ 124.1 | \$ 80.5 | \$ 64.3 |

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

- The cost of governmental activities this year was \$133.7 million.
- Some of the cost was paid by the users of the District's programs (\$889,780).
- The federal and state governments subsidized certain programs with grants and contributions (\$52.3 million).
- Most of the District's costs, \$104.4 million, however, were paid for by District taxpayers and the taxpayers of California, in general.
- This portion of governmental activities was paid for with \$15.6 million in property taxes, \$88.8 million of unrestricted state aid based on the statewide education aid formula, and with investment earnings.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$87 million; this is consistent with last year's combined fund balance of \$87 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the District revised the annual operating budget several times due to updated projections and actual costs. Following are highlights of the largest changes:

- Net increases in both revenue and expense for federal, state and local grant awards.
- \$2 million increase in Revenue Limit due to increased ADA and equalization aid.
- Federal, State, and Local revenues were \$5.9 million higher than the adopted budget due to the increases in federal, state and local grant awards and entitlements and prior year revenues received.
- Actual expenditures were \$4.9 million above adopted budget mainly due to the increases in federal, state and local grant awards and entitlements.
- \$1 million in budget cuts were included in the adopted budget. As funds became available, the majority of the cuts were not reinstated.
- The Deferred Maintenance transfer from General Fund was increased \$187,635 above the adopted budget due to an increase in the required State Match.
- The Board reinstated transferring the savings due to the Early Retiree Program to a special reserve fund for one-time capital expenditures. \$300,000 was transferred from General Fund to Fund 40.
- The Board authorized a 2% salary increase for 2004-05. This increase was designated in the ending balance and will be paid in the 2005-06 fiscal year.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the District had invested \$96.1 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices. (See Table A-4.) This amount represents a net increase of \$46.4 million or 93.5% over last year. Total depreciation expense for the year exceeded \$1.3 million.

Table A-4
Capital Assets
(net of depreciation, in millions of dollars)

| | Governmental Activities | | Total |
|--------------------------|-------------------------|----------------|-------------------|
| | 2004 | 2005 | Percentage Change |
| Land | \$ 4.3 | \$ 4.7 | 8.1% |
| Site Improvements | 0.4 | 0.5 | 4.8% |
| Construction in Progress | 8.4 | 52.2 | 519.9% |
| Buildings | 34.8 | 37.1 | 6.6% |
| Furniture and Equipment | 1.6 | 1.7 | 1.3% |
| Totals | \$ 49.7 | \$ 96.1 | 93.5% |

Madera Unified's student enrollment has grown steadily to reach a present enrollment of 17,732 as set forth in the District's "Development Fee Justification Study/School Facilities Needs Analysis" report dated July 2005; the District's current enrollment exceeds the capacity of the District's existing school facilities. When the new construction is complete, the new facilities will house a total of 1,500 high school students and 1,750 K-8 students.

The District's fiscal year 2006 construction in progress includes:

- Desmond Middle School Est. Completion 2005-06
- Nishimoto K-6 School Est. Completion 2005-06
- Chavez K-6 School Est. Completion 2006-07
- MHS-South Est. Completion 2006-07

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2004-05

LONG-TERM DEBT

At year-end the District had \$67.9 million long-term debt outstanding - an increase of 46% from last year - as shown in Table A-5.

Table A-5
Outstanding Long-Term Debt
(in millions of dollars)

| | Governmental Activities | | Total |
|-------------------------------|-------------------------|----------------|-------------------|
| | 2004 | 2005 | Percentage Change |
| General Obligation Bonds | \$ 16.2 | \$ 42.2 | 160% |
| Certificates of Participation | 23.9 | 19.0 | -21% |
| Capital Leases Payable | 3.9 | 3.7 | -5% |
| Other General Long-Term Debt | 1.4 | 1.9 | 36% |
| Compensated Absences | 1.2 | 1.1 | -8% |
| Total | \$ 46.6 | \$ 67.9 | 46% |

- The District added \$26.6 million General Obligation Bond payable and \$0.5 million Early Retiree Incentive payable
- The compensated absences payable and capital leases payable were reduced.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State Budget deficit and the impact this will have on funding for education.
- The increasing costs of Health and Welfare benefits. The outcome of the District's negotiations with the various unions cannot be predicted, but the 2005-2006 Adopted Budget included a 7.64% increase, approximately \$1.2 million for the General Fund before adding new employees for growth and the opening of the new schools.
- The passage of a state bond to assist the District with facility projects will play a major role in the District's financing capital facilities.
- Issuance of an additional \$3.8 million in General Obligation Bonds to pay for the completion of new school buildings.

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2004-05

- One-time and on-going costs associated with opening the following new schools:
 - Nishimoto Elementary and Desmond Middle School in 2005-06.
 - Madera South High School and Chavez Elementary in 2006-07.
 - Parkwood Elementary and Ells Elementary in 2007-08
 - Third High School within the next ten years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Madera Unified School District, 1902 Howard Road, Madera, California 93637.

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MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2005

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Deposits and investments | \$ 100,142,707 |
| Receivables | 10,073,581 |
| Prepaid expenses | 1,438,985 |
| Stores inventories | 534,729 |
| Land and construction in progress | 56,931,422 |
| Depreciable capital assets, net of accumulated depreciation | 39,200,096 |
| Total Assets | 208,321,520 |
| LIABILITIES | |
| Accounts payable | 18,812,438 |
| Interest payable | 933,983 |
| Deferred revenue | 4,465,701 |
| Current portion of long-term obligations | 1,460,512 |
| Noncurrent portion of long-term obligations | 66,478,848 |
| Total Liabilities | 92,151,482 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 29,309,686 |
| Restricted for: | |
| Debt service | 2,820,798 |
| Capital projects | 61,030,636 |
| Educational programs | 2,659,718 |
| Other activities | 5,564,149 |
| Unrestricted | 14,785,051 |
| Total Net Assets | \$ 116,170,038 |

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

| Functions/Programs | Expenses | Program Revenues | | |
|---|-----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction | \$ 81,579,225 | \$ 319,773 | \$ 19,717,405 | \$ 13,937,533 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 3,054,735 | 4 | 2,769,888 | - |
| Instructional library, media and technology | 896,674 | 27 | 424,566 | - |
| School site administration | 9,412,088 | 1,077 | 1,547,362 | - |
| Pupil services: | | | | |
| Home-to-school transportation | 4,480,332 | 267,223 | 3,335,784 | - |
| Food services | 5,922,904 | - | 4,914,793 | - |
| All other pupil services | 5,444,149 | 5 | 1,526,985 | - |
| General administration: | | | | |
| Data processing | 733,960 | 315 | 2,487 | - |
| All other general administration | 6,476,260 | (505) | 2,280,815 | - |
| Plant services | 11,898,986 | 6,230 | 1,266,140 | - |
| Ancillary services | 1,113,882 | 127 | 182 | - |
| Community services | 26,765 | - | - | - |
| Interest on long-term debt | 2,067,881 | - | - | - |
| Other outgo | 615,870 | 295,504 | 622,071 | - |
| Total Governmental-Type Activities | \$ 133,723,709 | \$ 889,780 | \$ 38,408,478 | \$ 13,937,533 |
| General revenues and subventions: | | | | |
| Property taxes, levied for general purposes | | | | |
| Property taxes, levied for debt service | | | | |
| Federal and State aid not restricted to specific purposes | | | | |
| Interest and investment earnings | | | | |
| Miscellaneous | | | | |
| Subtotal, General Revenues | | | | |
| Excess (Deficiency) of Revenues Over Expenses | | | | |
| Net Assets - Beginning | | | | |
| Net Assets - Ending | | | | |

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

**Net (Expenses)
Revenues and
Changes in
Net Assets**

**Governmental
Activities**

\$ (47,604,514)

(284,843)

(472,081)

(7,863,649)

(877,325)

(1,008,111)

(3,917,159)

(731,158)

(4,195,950)

(10,626,616)

(1,113,573)

(26,765)

(2,067,881)

301,705

(80,487,918)

13,889,387

1,663,930

78,118,135

1,750,067

10,730,940

106,152,459

25,664,541

90,505,497

\$ 116,170,038

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2005

| | General Fund | Building Fund | County School Facilities Fund |
|--|----------------------|----------------------|--|
| ASSETS | | | |
| Deposits and investments | \$ 23,659,786 | \$ 17,978,668 | \$ 38,037,575 |
| Receivables | 7,486,377 | - | 1,184,833 |
| Due from other funds | 722,700 | - | 2,616,432 |
| Prepaid expenses | 675 | - | - |
| Stores inventories | 365,614 | - | - |
| Total Assets | <u>\$ 32,235,152</u> | <u>\$ 17,978,668</u> | <u>\$ 41,838,840</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | 12,502,931 | - | 5,729,950 |
| Due to other funds | 112,082 | 2,616,386 | 1,309 |
| Deferred revenue | 3,775,734 | - | - |
| Total Liabilities | <u>16,390,747</u> | <u>2,616,386</u> | <u>5,731,259</u> |
| FUND BALANCES | | | |
| Reserved | 3,061,007 | - | - |
| Unreserved: | | | |
| Designated | 7,219,249 | - | - |
| Undesignated, reported in: | | | |
| General Fund | 5,564,149 | - | - |
| Special revenue funds | - | - | - |
| Debt service funds | - | - | - |
| Capital projects funds | - | 15,362,282 | 36,107,581 |
| Total Fund Balance | <u>15,844,405</u> | <u>15,362,282</u> | <u>36,107,581</u> |
| Total Liabilities and Fund Balances | <u>\$ 32,235,152</u> | <u>\$ 17,978,668</u> | <u>\$ 41,838,840</u> |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 19,947,017 | \$ 99,623,046 |
| 1,379,299 | 10,050,509 |
| 322,936 | 3,662,068 |
| - | 675 |
| 169,115 | 534,729 |
| <u>\$ 21,818,367</u> | <u>\$ 113,871,027</u> |

| | |
|------------------|-------------------|
| 558,557 | 18,791,438 |
| 930,219 | 3,659,996 |
| 689,967 | 4,465,701 |
| <u>2,178,743</u> | <u>26,917,135</u> |

| | |
|----------------------|-----------------------|
| 170,530 | 3,231,537 |
| 2,139,630 | 9,358,879 |
| - | 5,564,149 |
| 4,947,893 | 4,947,893 |
| 2,820,798 | 2,820,798 |
| 9,560,773 | 61,030,636 |
| <u>19,639,624</u> | <u>86,953,892</u> |
| <u>\$ 21,818,367</u> | <u>\$ 113,871,027</u> |

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MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance - Governmental Funds **\$ 86,953,892**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| The cost of capital assets is | \$ 134,282,644 | |
| Accumulated depreciation is | <u>(38,151,126)</u> | |
| Total capital assets | | 96,131,518 |

Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis. Unamortized prepaid expenditures relating to debt costs are:

1,438,310

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.

(933,983)

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are:

519,661

Long-term liabilities at year end consist of:

| | | |
|---|--------------------|------------------------------|
| General obligation bonds | (42,287,202) | |
| Certificates of participation | (19,035,000) | |
| State Preschool Loan Program | (139,630) | |
| Capital lease obligations | (3,685,987) | |
| Compensated absences | (1,117,528) | |
| Early retirement incentive obligation | <u>(1,674,013)</u> | |
| Total long-term liabilities | | <u>(67,939,360)</u> |
| Total Net Assets - Governmental Activities | | <u>\$ 116,170,038</u> |

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

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2005

| | General Fund | Building Fund |
|--|-------------------------|--------------------------|
| REVENUES | | |
| Revenue limit sources | \$ 81,986,406 | \$ - |
| Federal sources | 11,496,760 | - |
| Other state sources | 24,021,537 | - |
| Other local sources | 5,234,075 | 367,356 |
| Total Revenues | <u>122,738,778</u> | <u>367,356</u> |
| EXPENDITURES | | |
| Current | | |
| Instruction | 76,963,118 | - |
| Instruction-related activities: | | |
| Supervision of instruction | 3,054,735 | - |
| Instructional library, media and technology | 891,613 | - |
| School site administration | 8,556,917 | - |
| Pupil Services: | | |
| Home-to-school transportation | 4,398,360 | - |
| Food services | 9,836 | - |
| All other pupil services | 5,137,215 | - |
| General administration: | | |
| Data processing | 641,271 | - |
| All other general administration | 5,735,616 | - |
| Plant services | 10,779,070 | - |
| Facility acquisition and construction | 235,447 | 745 |
| Ancillary services | 1,151,991 | - |
| Community services | 26,765 | - |
| Other outgo | 594,870 | - |
| Debt service | | |
| Principal | 214,789 | - |
| Interest and other | 349,663 | 448,237 |
| Total Expenditures | <u>118,741,276</u> | <u>448,982</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>3,997,502</u> | <u>(81,626)</u> |
| Other Financing Sources (Uses): | | |
| Transfers in | 557,157 | - |
| Other sources | - | 26,447,341 |
| Transfers out | (1,658,360) | (26,009,037) |
| Net Financing Sources (Uses) | <u>(1,101,203)</u> | <u>438,304</u> |
| NET CHANGE IN FUND BALANCES | <u>2,896,299</u> | <u>356,678</u> |
| Fund Balance - Beginning | 12,948,106 | 15,005,604 |
| Fund Balance - Ending | <u>\$ 15,844,405</u> | <u>\$ 15,362,282</u> |

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

| County School Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---|---|
| \$ - | \$ 2,512,130 | \$ 84,498,536 |
| - | 5,668,626 | 17,165,386 |
| 13,937,533 | 2,608,852 | 40,567,922 |
| 510,747 | 11,044,228 | 17,156,406 |
| <u>14,448,280</u> | <u>21,833,836</u> | <u>159,388,250</u> |
| - | 3,042,439 | 80,005,557 |
| - | - | 3,054,735 |
| - | 5,061 | 896,674 |
| - | 1,016,310 | 9,573,227 |
| - | - | 4,398,360 |
| - | 6,032,801 | 6,042,637 |
| - | 171,259 | 5,308,474 |
| - | - | 641,271 |
| - | 778,343 | 6,513,959 |
| 94,831 | 1,043,374 | 11,917,275 |
| 46,102,354 | 1,220,227 | 47,558,773 |
| - | - | 1,151,991 |
| - | - | 26,765 |
| - | - | 594,870 |
| - | 5,934,535 | 6,149,324 |
| - | 1,633,434 | 2,431,334 |
| <u>46,197,185</u> | <u>20,877,783</u> | <u>186,265,226</u> |
| <u>(31,748,905)</u> | <u>956,053</u> | <u>(26,876,976)</u> |
| 33,704,978 | 2,347,226 | 36,609,361 |
| - | 421,507 | 26,868,848 |
| (12,813) | (8,950,151) | (36,630,361) |
| <u>33,692,165</u> | <u>(6,181,418)</u> | <u>26,847,848</u> |
| 1,943,260 | (5,225,365) | (29,128) |
| 34,164,321 | 24,864,989 | 86,983,020 |
| <u>\$ 36,107,581</u> | <u>\$ 19,639,624</u> | <u>\$ 86,953,892</u> |

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Total Net Change in Fund Balances - Governmental Funds \$ (29,128)
**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

| | | |
|----------------------|--------------------|------------|
| Depreciation expense | \$47,948,037 | |
| Capital outlays | <u>(1,352,151)</u> | 46,595,886 |

Sale of capital assets is reported in the governmental funds as other sources, but is not recorded as revenue in the government-wide statements but as a reduction of fixed assets. (135,675)

In the statement of activities, certain operating expenses - compensated absences and early retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (397,444)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:

| | |
|--------------------------|--------------|
| General obligation bonds | (26,868,848) |
|--------------------------|--------------|

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items: 277,687

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

| | |
|--------------------------------------|-----------|
| State school building loans | 515 |
| Certificates of participation | 4,900,000 |
| General obligation bonds | 995,000 |
| Capital lease obligations | 214,789 |
| Child care facilities revolving fund | 19,947 |

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

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2005

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the certificates of participation, bonds and capital lease obligations totalled \$933,983, and second, \$1,038,823 of interest paid during the year was attributable to the previous fiscal year.

\$ 104,840

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net loss of the internal service fund is eliminated in the government-wide statements as it was internally generated.

(13,028)

Change in Net Assets of Governmental Activities

\$ 25,664,541

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

MADERA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

| | <u>Governmental Activities - Internal Service Fund</u> |
|--------------------------|--|
| ASSETS | |
| Current Assets | |
| Deposits and investments | \$ 519,661 |
| Total Assets | <u>519,661</u> |
| NET ASSETS | |
| Unrestricted | 519,661 |
| Total Net Assets | <u>\$ 519,661</u> |

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

MADERA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

| | Governmental Activities - Internal Service Fund |
|---|--|
| OPERATING REVENUES | |
| Charges for services | \$ - |
| Total Operating Revenues | - |
| OPERATING EXPENSES | |
| Payroll costs | - |
| Total Operating Expenses | - |
| Operating Income (Loss) | - |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 13,028 |
| Total Nonoperating Revenues (Expenses) | 13,028 |
| Change in Net Assets | 13,028 |
| Total Net Assets - Beginning | 506,633 |
| Total Net Assets - Ending | <u>\$ 519,661</u> |

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

MADERA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005

| | Governmental Activities - Internal Service Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash payments for other operating expenses | <u>\$ -</u> |
| Net Cash Provided (Used) for Operating Activities | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>13,028</u> |
| Net Cash Provided (Used) from Investing Activities | <u>13,028</u> |
| Net increase in cash and cash equivalents | 13,028 |
| Cash and cash equivalents - Beginning | 506,633 |
| Cash and cash equivalents - Ending | <u><u>\$ 519,661</u></u> |

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

| | Private- Purpose Trusts | Agency Funds |
|---------------------------------|-------------------------------|-------------------|
| ASSETS | | |
| Deposits and investments | \$ 122,719 | \$ 287,707 |
| Accounts receivable | 21,000 | - |
| Total Assets | 143,719 | \$ 287,707 |
| LIABILITIES | | |
| Accounts payable | | |
| Madera Athletic | 23,072 | - |
| Due to student groups | | |
| Jefferson | - | 23,300 |
| King | - | 17,806 |
| La Vina | - | 4,992 |
| Washington | - | 1,399 |
| Madera High School | - | 238,805 |
| Mountain Vista High School | - | 1,405 |
| Total Liabilities | 23,072 | \$ 287,707 |
| NET ASSETS-RESERVED | | |
| Lorraine Thompson Scholarship | 52,781 | |
| Student Government Scholarship | 1,906 | |
| Albonico Scholarship | 8,715 | |
| Ray Pool Scholarship | 1,894 | |
| Gomez-Vidal Scholarship | 3,150 | |
| Esperanza Scholarship | 3,035 | |
| Harwood Memorial Scholarship | 172 | |
| K. Roberts Memorial Scholarship | 120 | |
| R. Scott Memorial Scholarship | 600 | |
| Science & Health Scholarship | 362 | |
| E. L. L. Scholarship | 3,345 | |
| FCCLA Scholarship | 2,046 | |
| Madera Athletic | 20,316 | |
| Binger Scholarship | 1,927 | |
| J. Desmond Scholarship | 120 | |
| FMC Food Tech Scholarship | 6,000 | |
| J. Hinton Scholarship | 300 | |
| Cadenazzi Roberts Scholarship | 13,034 | |
| School of Business Scholarship | 500 | |
| Marketing/CVELP Scholarship | 324 | |
| Total Net Assets | \$ 120,647 | |

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

| | Private- Purpose Trust |
|---|------------------------------|
| ADDITIONS | |
| Private donations and earnings | |
| Lorraine Thompson Scholarship | \$ 1,487 |
| Student Government Scholarship | 1,600 |
| E. L. L. Scholarship | 4,089 |
| Ray Pool Scholarship | 5 |
| Gomez-Vidal Scholarship | 4,552 |
| Esperanza Scholarship | 4 |
| K. Roberts Memorial Scholarship | 20 |
| FMC Food Tech Scholarship | 5,000 |
| J. Hinton Scholarship | 300 |
| Science & Health Scholarship | 15 |
| FCCLA Scholarship | 1,000 |
| Madera Athletic | 98,969 |
| Binger Scholarship | 52 |
| Caddenazzi Roberts Scholarship | 3,013 |
| School of Business Scholarship | 1,000 |
| Marketing/CVELP Scholarship | 500 |
| Total Additions | 121,606 |
| DEDUCTIONS | |
| Scholarships awarded and other expenditures | |
| Lorraine Thompson Scholarship | 3,151 |
| Student Government Scholarship | 700 |
| E. L. L. Scholarship | 3,630 |
| Gomez-Vidal Scholarship | 4,745 |
| FMC Food Tech Scholarship | 3,000 |
| J. Hinton Scholarship | 1,000 |
| Science & Health Scholarship | 200 |
| FCCLA Scholarship | 250 |
| Madera Athletic | 104,964 |
| School of Business Scholarship | 500 |
| Marketing/CVELP Scholarship | 176 |
| Total Deductions | 122,316 |
| Change in Net Assets | (710) |
| Net Assets - Beginning | 121,357 |
| Net Assets - Ending | \$ 120,647 |

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Madera Unified School District was established in 1966, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 and adults, as mandated by the State and/or Federal agencies. The District operates fourteen elementary schools, two middle schools, one comprehensive high school, two alternative education schools, and one adult education school.

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 Madera Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Madera Unified School District Financing Corporation (the "Corporations") financial activity is presented in the financial statements as the C.O.P. Capital Projects Fund and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Other Related Entities

Joint Powers Agencies The District is associated with one joint powers agency, the California Risk Management Authority (CRMA). This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 17 to the financial statements.

Basis of Presentation - Fund Accounting

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Special Reserve Fund for Other than Capital Outlay The Special Reserve Fund for Other than Capital Outlay is used to provide for the accumulation of General Fund monies for general operating purposes.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from ad valorem tax levies.

COP Debt Service Fund The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

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

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

State School Building Lease-Purchase Fund The State School Building Lease-Purchase Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

Special Reserve Fund The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

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

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self Insurance Fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the Private - Purpose Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2005, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the debt issuance.

Stores Inventory

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$72,075,301 of restricted net assets, of which \$68,778,173 is restricted by enabling legislation.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

Budgetary Data

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

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

Property Tax

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

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

New Accounting Pronouncements

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year. The District has implemented this pronouncement.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005. The District has implemented this pronouncement.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------|-----------------------|
| Governmental activities | \$ 100,142,707 |
| Fiduciary funds | 410,426 |
| Total Deposits and Investments | <u>\$ 100,553,133</u> |

Deposits and investments as of June 30, 2005, consists of the following:

| | |
|--------------------------------|-----------------------|
| Cash on hand and in banks | \$ 384,918 |
| Cash in revolving | 56,415 |
| Investments | 100,111,800 |
| Total Deposits and Investments | <u>\$ 100,553,133</u> |

Policies and Practices

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Segmented Time Distribution

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

| Investment Type | Fair Value | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | More Than 60 Months |
|--|----------------------|---------------------|-------------------|----------------|---------------------|
| Guaranteed Investment Contract-TRAN | \$ 4,955,000 | \$ 4,955,000 | \$ - | \$ - | \$ - |
| Annuity Guaranteed Investment Contract | 290,504 | - | 290,504 | - | - |
| U.S. Agency Money Market Mutual Funds | 11,313,235 | 11,313,235 | - | - | - |
| County Pool | 83,553,061 | 83,553,061 | - | - | - |
| Total | <u>\$100,111,800</u> | <u>\$99,821,296</u> | <u>\$ 290,504</u> | <u>\$ -</u> | <u>\$ -</u> |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

| Investment Type | Fair Value | Minimum Legal Rating | Not Required to Be Rated | Rating as of Year End | | |
|--|----------------------|----------------------|--------------------------|-----------------------|-------------|---------------------|
| | | | | AAA | Aa | Unrated |
| Held by Trustee: | | | | | | |
| Guaranteed Investment Contract-TRAN | \$ 4,955,000 | N/A | \$ - | \$ - | \$ - | \$ 4,955,000 |
| Annuity Guaranteed Investment Contract | 290,504 | N/A | - | - | - | 290,504 |
| U.S. Agency Money Market Mutual Funds | 11,313,235 | N/A | 11,313,235 | - | - | - |
| County Pool | 83,553,061 | N/A | - | - | - | 83,553,601 |
| Total | <u>\$100,111,800</u> | | <u>\$11,313,235</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$88,799,105</u> |

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There were no investments in any one issuer that represent five percent or more of the total investments.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of \$273,218 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Investment Contracts of \$5,245,504, the District has a custodial credit risk exposure of \$5,245,504 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | County School Facilities Fund | Non-Major Governmental Funds | Total | Fiduciary Funds |
|--|---------------------|--|------------------------------------|----------------------|--------------------|
| Federal Government | | | | | |
| Categorical aid | \$ 820,842 | \$ 1,184,833 | \$ 982,593 | \$ 2,988,268 | \$ - |
| State Government | | | | | |
| Apportionment | 4,661,258 | - | 112,710 | 4,773,968 | - |
| Categorical aid | 737,699 | - | 222,565 | 960,264 | - |
| Lottery | 299,855 | - | - | 299,855 | - |
| Other State | - | - | - | - | - |
| Local Government | | | | | |
| Interest | - | - | - | - | - |
| Other Local Sources | 966,723 | - | 61,431 | 1,028,154 | 21,000 |
| Total Fund Statements | <u>\$ 7,486,377</u> | <u>\$ 1,184,833</u> | <u>\$ 1,379,299</u> | <u>10,050,509</u> | <u>\$ 21,000</u> |
| Fiduciary funds external balances adjustment | | | | 23,072 | |
| Total Government-Wide Statements | | | | <u>\$ 10,073,581</u> | |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|---|-------------------------|---------------------|----------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets not being depreciated | | | | |
| Land | \$ 4,342,015 | \$ 353,950 | \$ - | \$ 4,695,965 |
| Construction in progress | 8,421,394 | 46,649,142 | (2,835,079) | 52,235,457 |
| Total Capital Assets Not Being Depreciated | <u>12,763,409</u> | <u>47,003,092</u> | <u>(2,835,079)</u> | <u>56,931,422</u> |
| Capital Assets being depreciated | | | | |
| Land improvements | 453,942 | 27,799 | - | 481,741 |
| Buildings and improvements | 62,850,447 | 3,447,202 | - | 66,297,649 |
| Furniture and equipment | 10,402,484 | 305,023 | (135,675) | 10,571,832 |
| Total Capital Assets Being Depreciated | <u>73,706,873</u> | <u>3,780,024</u> | <u>(135,675)</u> | <u>77,351,222</u> |
| Less Accumulated Depreciation | | | | |
| Land improvements | 14,405 | 7,202 | - | 21,607 |
| Buildings and improvements | 28,031,215 | 1,157,989 | - | 29,189,204 |
| Furniture and equipment | 8,753,355 | 186,960 | - | 8,940,315 |
| Total Accumulated Depreciation | <u>36,798,975</u> | <u>1,352,151</u> | <u>-</u> | <u>38,151,126</u> |
| Governmental Activities Capital Assets, Net | <u>\$49,671,307</u> | <u>\$49,430,965</u> | <u>\$(2,970,754)</u> | <u>\$ 96,131,518</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---------------------|
| Governmental Activities | |
| Instruction | \$ 1,128,370 |
| Home-to-school transportation | 81,972 |
| Food services | 18,345 |
| Data processing | 92,689 |
| Plant services | 30,775 |
| Total Depreciation Expenses Governmental Activities | <u>\$ 1,352,151</u> |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2005, between major and nonmajor governmental funds, internal service funds, and fiduciary funds are as follows:

| | Interfund Receivables | Interfund Payables |
|------------------------------|--------------------------|-----------------------|
| Funds | | |
| General | \$ 722,700 | \$ 112,082 |
| Building | - | 2,616,386 |
| County School Facilities | 2,616,432 | 1,309 |
| Non-Major Funds | 322,936 | 930,219 |
| Fiduciary Funds ¹ | 21,000 | 23,072 |
| Total | <u>\$ 3,683,068</u> | <u>\$ 3,683,068</u> |

¹ Fiduciary Fund interfund activity reflected as receivables and payable to external entities on fiduciary financial statements and on government-wide statements.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

| | |
|--|----------------------|
| The General Fund transferred to the Adult Fund for Lottery transfer. | \$ 177,642 |
| The General Fund transferred to the Special Reserve - Capital Outlay Fund for future construction of new sites. | 500,000 |
| The General Fund transferred to the Deferred Maintenance Fund for the required State match. | 665,405 |
| The General Fund transferred to the COP Debt Service Fund for debt service payment. | 294,313 |
| The Special Reserve - Other Fund transferred to the General Fund to reimburse costs paid for out of General Fund. | 353,514 |
| The Building Fund transferred to the County School Facilities Fund for building projects. | 26,009,037 |
| The Builders/Developers Fee Fund transferred to the COP Debt Service Fund for future Debt Service Payments. | 667,502 |
| The Builders/Developers Fee Fund transferred to the General Fund three percent of the developer fees collected. | 203,643 |
| The Builders/Developers Fee Fund transferred to the County School Facilities Fund for the completion of the Madera High School South Campus. | 5,940,350 |
| The County School Facilities Fund transferred to the COP Debt Service Fund to pay the next scheduled payment. | 12,813 |
| The Special Reserve- Capital Fund transferred to the County School Facilities Fund for reimbursement of costs for the Madera High School South Campus. | 1,755,591 |
| The Tax Override Fund transferred to the Special Reserve - Capital Fund for future building projects. | 29,551 |
| The General Fund transferred to the Foundation Private-Purpose Trust Fund to contribute towards the increased costs for officials. | 21,000 |
| Total | <u>\$ 36,630,361</u> |

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2005, consisted of the following:

| | General Fund |
|--|---------------------|
| Other | \$ 675 |
| Total General Fund | 675 |
| Prepaid debt issuance costs | 1,438,310 |
| Total prepaid expenses on government-wide statements | <u>\$ 1,438,985</u> |

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

| | General Fund | County School Facilities Fund | Non-Major Governmental Funds | Total |
|--|----------------------|--|------------------------------------|----------------------|
| Vendor payables | \$ 864,841 | \$ 5,729,950 | \$ 550,397 | \$ 7,145,188 |
| Accrued payroll | 1,545,826 | - | - | 1,545,826 |
| Deferred payroll | 1,973,622 | - | 163 | 1,973,785 |
| TRAN | 4,955,000 | - | - | 4,955,000 |
| State apportionment | 151,642 | - | - | 151,642 |
| Benefits pass through | 3,012,000 | - | 7,997 | 3,019,997 |
| Other | - | - | - | - |
| Total | <u>\$ 12,502,931</u> | <u>\$ 5,729,950</u> | <u>\$ 558,557</u> | 18,791,438 |
| Fiduciary funds external balances adjustment | | | | 21,000 |
| Total Government-Wide Statements | | | | <u>\$ 18,812,438</u> |

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|------------------------------|---------------------|------------------------------------|---------------------|
| Federal financial assistance | \$ 2,734,931 | \$ - | \$ 2,734,931 |
| State categorical aid | 1,040,803 | 689,967 | 1,730,770 |
| Total | <u>\$ 3,775,734</u> | <u>\$ 689,967</u> | <u>\$ 4,465,701</u> |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES

At July 1, 2004, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,270,000, which matured on July 6, 2004. On July 6, 2004, the District issued \$4,955,000 Tax and Revenue Anticipation Notes bearing interest at 1.6 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable by July 6, 2005. By June 30, 2005, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments as Investments with the corresponding liability as an accounts payable.

| Issue Date | Rate | Maturity Date | Outstanding July 1, 2004 | Additions | Payments | Outstanding June 30, 2005 |
|--------------|-------|---------------|-----------------------------|---------------------|---------------------|------------------------------|
| July 3, 2003 | 0.90% | July 6, 2004 | \$ 3,270,000 | \$ - | \$ 3,270,000 | \$ - |
| July 6, 2004 | 1.60% | July 6, 2005 | - | 4,955,000 | - | 4,955,000 |
| Total | | | <u>\$ 3,270,000</u> | <u>\$ 4,955,000</u> | <u>\$ 3,270,000</u> | <u>\$ 4,955,000</u> |

NOTE 10 - LONG-TERM LIABILITIES

Long-Term Debt Summary

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

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 | Due in One Year |
|------------------------------------|-------------------------|----------------------|---------------------|--------------------------|---------------------|
| General obligation bonds-2003 | \$ 16,200,000 | \$ - | \$ 995,000 | \$ 15,205,000 | \$ 1,095,000 |
| Premium on 2003 GO bond | 84,093 | - | 3,364 | 80,729 | 3,364 |
| General obligation bonds-2005 | | | | | |
| Current Interest Bonds | - | 12,670,000 | - | 12,670,000 | - |
| Capital Appreciation Bonds | - | 13,461,729 | - | 13,461,729 | - |
| Premium on 2005 GO bond | - | 869,744 | - | 869,744 | 36,239 |
| State school building loans | 489 | 26 | 515 | - | - |
| State Preschool Revolving Loan | 159,577 | - | 19,947 | 139,630 | 19,947 |
| Certificates of participation-1992 | 1,030,000 | - | 235,000 | 795,000 | - |
| Certificates of participation-1993 | 4,665,000 | - | 4,665,000 | - | - |
| Certificates of participation-2004 | 18,240,000 | - | - | 18,240,000 | 80,000 |
| Accumulated vacation - net | 1,172,257 | - | 54,729 | 1,117,528 | - |
| Early retirement programs | 1,221,840 | 452,173 | - | 1,674,013 | - |
| Capital leases | 3,900,776 | - | 214,789 | 3,685,987 | 225,962 |
| Total | <u>\$ 46,674,032</u> | <u>\$ 27,453,672</u> | <u>\$ 6,188,344</u> | <u>\$ 67,939,360</u> | <u>\$ 1,460,512</u> |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Bonded Debt

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2004 | Accreted/ Issued | Amortized/ Redeemed | Bonds Outstanding June 30, 2005 |
|---|---------------|---------------|----------------|--------------------------------|----------------------|---------------------|---------------------------------|
| 2002, Series 2003 General Obligation Bonds: | | | | | | | |
| 8/1/2003 | 8/04-8/28 | 1-4.90% | \$ 16,200,000 | \$ 16,200,000 | \$ - | \$ 995,000 | \$ 15,205,000 |
| Premium on Issuance | | | | 84,093 | - | 3,364 | 80,729 |
| 2002, Series 2005 General Obligation Bonds: | | | | | | | |
| Current Interest Bonds | | | | | | | |
| 5/1/05 | 8/06-8/17 | 3-50% | 12,670,000 | - | 12,670,000 | - | 12,670,000 |
| Capital Appreciation Bonds | | | | | | | |
| 5/1/05 | 8/18-8/29 | 4.77-5.23% | 13,329,104 | - | 13,461,729 | - | 13,461,729 |
| Premium on Issuance | | | | - | 869,744 | - | 869,744 |
| Total | | | | <u>\$ 16,284,093</u> | <u>\$ 27,001,473</u> | <u>\$ 998,364</u> | <u>\$ 42,287,202</u> |

Debt Service Requirements to Maturity

2002, Series 2003 General Obligation Bonds

The bonds mature through 2029 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|----------------------|----------------------|----------------------|
| 2006 | \$ 1,095,000 | \$ 706,765 | \$ 1,801,765 |
| 2007 | 280,000 | 679,266 | 959,266 |
| 2008 | 335,000 | 666,966 | 1,001,966 |
| 2009 | 45,000 | 659,366 | 704,366 |
| 2010 | 80,000 | 656,866 | 736,866 |
| 2011-2015 | 995,000 | 3,192,965 | 4,187,965 |
| 2016-2020 | 2,350,000 | 2,835,417 | 5,185,417 |
| 2021-2025 | 4,400,000 | 2,022,435 | 6,422,435 |
| 2026-2029 | 5,625,000 | 596,625 | 6,221,625 |
| Total | <u>\$ 15,205,000</u> | <u>\$ 12,016,671</u> | <u>\$ 27,221,671</u> |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

2002, Series 2005 Current Interest General Obligation Bonds

The bonds mature through 2018 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|----------------------|-------------------------|----------------------|
| 2006 | \$ - | \$ 420,225 | \$ 420,225 |
| 2007 | 625,000 | 550,925 | 1,175,925 |
| 2008 | 360,000 | 536,150 | 896,150 |
| 2009 | 710,000 | 520,100 | 1,230,100 |
| 2010 | 785,000 | 495,713 | 1,280,713 |
| 2011-2015 | 5,385,000 | 1,900,889 | 7,285,889 |
| 2016-2018 | 4,805,000 | 375,625 | 5,180,625 |
| Total | <u>\$ 12,670,000</u> | <u>\$ 4,799,627</u> | <u>\$ 17,469,627</u> |

2002, Series 2005 Capital Appreciation Bonds

The Capital Appreciation Bonds due not require annual principal and interest payments. The bonds accrete in value for the interest earned on the bonds for each fiscal year until the bonds maturity date at which time, the maturity value of the bonds is payable. Below is a summary of the current valuation (accreted value) of the bonds including the maturity value of those bonds.

The bonds mature through 2031 as follows:

| Fiscal Year | Final Maturity | Current Year Accreted Value |
|-------------|----------------------|--------------------------------|
| 2019 | \$ 1,925,000 | \$ 1,042,965 |
| 2020 | 2,015,000 | 1,032,889 |
| 2021 | 2,100,000 | 1,018,920 |
| 2022 | 2,200,000 | 1,009,360 |
| 2023 | 2,300,000 | 996,820 |
| 2024 | 2,400,000 | 981,600 |
| 2025 | 2,510,000 | 967,856 |
| 2026 | 2,625,000 | 953,400 |
| 2027 | 2,740,000 | 942,012 |
| 2028 | 2,865,000 | 932,271 |
| 2029 | 2,995,000 | 919,465 |
| 2030 | 4,650,000 | 1,346,640 |
| 2031 | 4,805,000 | 1,317,531 |
| Total | <u>\$ 36,130,000</u> | <u>\$ 13,461,729</u> |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

State and Public School Building Loans

State school building loans outstanding as of June 30, 2005, are as follows:

| Year Disbursed | Interest Rate | Balance July 1, 2004 | Interest Charge | Repayment and State Credit Current Year | Outstanding June 30, 2005 |
|-------------------|------------------|-------------------------|--------------------|---|------------------------------|
| 1982-83 | 5.3% | \$ 489 | \$ 26 | \$ 515 | \$ - |

The State and Public School Building Loans are secured by all sites purchased and improved, all equipment purchased, and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Section 16019 of the Education Code.

Annual repayment is determined by the State Controller in accordance with Section 16214 of the Education Code.

Preschool Revolving Loan

On January 1, 2003, the District entered into two agreements with the California Department of Education for non-interest loans for child care facilities at the Madison Elementary School and the George Washington Elementary School sites. The District is required to make annual loan payments for the next ten (10) years by January 1 of \$19,947.

| Year Ending June 30, | Lease Payment |
|-------------------------|------------------|
| 2006 | \$ 19,947 |
| 2007 | 19,947 |
| 2008 | 19,947 |
| 2009 | 19,947 |
| 2010 | 19,947 |
| 2011-2012 | 39,895 |
| Total | \$ 139,630 |

Certificates of Participation

In December 1992, the Madera Unified School District Financing Corporation issued certificates of participation in the amount of \$6,995,000 with interest rates ranging from 3.55 to 6.00 percent. As of June 30, 2005, the principal balance outstanding was \$795,000.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

The 1992 Certificates of Participation mature through 2008 as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-------------------|
| 2006 | \$ 250,000 | \$ 43,550 | \$ 293,550 |
| 2007 | 265,000 | 26,813 | 291,813 |
| 2008 | 280,000 | 9,100 | 289,100 |
| Total | <u>\$ 795,000</u> | <u>\$ 79,463</u> | <u>\$ 874,463</u> |

On May 14, 2004, the Madera Unified School District Financing Corporation issued certificates of participation in the amount of \$18,240,000 with interest rates ranging from 3.50 to 5.35 percent. As of June 30, 2005, the principal balance outstanding was \$18,240,000.

The 2004 Certificates of Participation mature through 2034 as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 80,000 | \$ 896,644 | \$ 976,644 |
| 2007 | 85,000 | 893,844 | 978,844 |
| 2008 | 90,000 | 891,294 | 981,294 |
| 2009 | 95,000 | 887,919 | 982,919 |
| 2010 | 390,000 | 884,119 | 1,274,119 |
| 2011-2015 | 2,195,000 | 4,166,939 | 6,361,939 |
| 2016-2020 | 2,770,000 | 3,597,315 | 6,367,315 |
| 2021-2025 | 3,530,000 | 2,832,065 | 6,362,065 |
| 2026-2030 | 4,505,000 | 1,857,064 | 6,362,064 |
| 2031-2034 | 4,500,000 | 590,657 | 5,090,657 |
| Total | <u>\$ 18,240,000</u> | <u>\$ 17,497,860</u> | <u>\$ 35,737,860</u> |

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$1,117,528.

Early Retirement

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$1,674,013 and is reported as long-term debt. The amount paid during the current fiscal year related to the early retirement programs totaled \$515,216.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

| | Leases |
|------------------------|---------------------|
| Balance, July 1, 2004 | \$ 3,900,776 |
| Payments | 214,789 |
| Balance, June 30, 2005 | <u>\$ 3,685,987</u> |

The capital leases have minimum lease payments as follows:

| Year Ending June 30, | Lease Payment |
|---|---------------------|
| 2006 | \$ 409,737 |
| 2007 | 409,737 |
| 2008 | 409,737 |
| 2009 | 409,737 |
| 2010 | 409,737 |
| 2011-2015 | 2,048,684 |
| 2016-2018 | 867,290 |
| Total | <u>4,964,659</u> |
| Less: Amount Representing Interest | <u>1,278,672</u> |
| Present Value of Minimum Lease Payments | <u>\$ 3,685,987</u> |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 11 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

| | General Fund | Building Fund | County School Facilities Fund | Non-Major Governmental Funds | Total |
|------------------------|-----------------|------------------|--|------------------------------------|--------------|
| Reserved | | | | | |
| Revolving cash | \$ 35,000 | \$ - | \$ - | \$ 1,415 | \$ 36,415 |
| Stores inventory | 365,614 | - | - | 169,115 | 534,729 |
| Prepaid expenditures | 675 | - | - | - | 675 |
| Restricted programs | 2,659,718 | - | - | - | 2,659,718 |
| Total Reserved | 3,061,007 | - | - | 170,530 | 3,231,537 |
| Unreserved | | | | | |
| Designated | | | | | |
| Economic uncertainties | 3,537,539 | - | - | 174,312 | 3,711,851 |
| Other designation | 3,681,710 | - | - | 1,965,318 | 5,647,028 |
| Total Designated | 7,219,249 | - | - | 2,139,630 | 9,358,879 |
| Undesignated | 5,564,149 | 15,362,282 | 36,107,581 | 17,329,464 | 74,363,476 |
| Total Unreserved | 12,783,398 | 15,362,282 | 36,107,581 | 19,469,094 | 83,722,355 |
| Total | \$15,844,405 | \$15,362,282 | \$36,107,581 | \$19,639,624 | \$86,953,892 |

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2005, the following District major fund exceeded the budgeted amounts as follows:

| Fund | Expenditures and Other Uses | | |
|-----------------|-----------------------------|------------|-----------|
| | Budget | Actual | Excess |
| General | | | |
| Other operating | \$ 148,520 | \$ 179,113 | \$ 30,593 |

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all certificated employees who retire from the District on or after attaining age 55 with at least 15 years of service. Classified employees also receive benefits after attaining age 59 with 15 years of service. Currently, 113 employees meet those eligibility requirements. Additionally, two board members are receiving life-time benefits. The District contributes 90 percent of the amount of premiums incurred by retirees and their dependents until age 65 and the retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$1,025,969 were recognized for retirees' health care benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 14 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending , the District contracted with the California Risk Management Authority (CRMA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Employee Medical Benefits and Workers' Compensation

The District pays for workers' compensation insurance and employee medical, surgical, and dental through the California Risk Management Authority.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under 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 Public Employees' Retirement System (PERS).

STRS

Plan Description

The District contributes to the California 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 and disability benefits 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 STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$4,645,801, \$4,486,343, and \$3,735,647, respectively, and equal 100 percent of the required contributions for each year.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

PERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$1,451,306, \$1,550,514, and \$296,371, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

On Behalf Payments

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 in the amount of \$2,512,958 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2005. 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 educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

Litigation

The District is 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, 2005.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

| CAPITAL PROJECT | Remaining Construction Commitment | Expected Date of Completion |
|-----------------------|---|-----------------------------------|
| Alpha Portable | \$ 200 | 2005-06 |
| Adams | 57,000 | 2005-06 |
| Child Nutrition | 99,600 | 2006-07 |
| Eastin Arcola | 200 | 2005-06 |
| Howard Modernization | 5,000 | 2005-06 |
| LaVina Portables | 2,000 | 2005-06 |
| Madison Portables | 1,000 | 2005-06 |
| Monroe | 50,000 | 2005-06 |
| Lincoln Portables | 1,000 | 2005-06 |
| Desmond Middle School | 3,047,836 | 2005-06 |
| Nishimoto K-6 School | 3,040,000 | 2005-06 |
| Chavez K-6 School | 11,162,928 | 2005-06 |
| Total | <u>\$ 17,466,764</u> | |

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the California Risk Management Authority (CRMA) public entity risk pool. The District pays an annual premium to the entity for its property and liability coverage as well as for workers' compensation coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District is included in these statements. Audited financial statements are available from the entity.

The District has appointed one board member to the Governing Board of CRMA.

During the year ended June 30, 2005, the District made payment of \$2,699,794 to CRMA for property and liability, and workers' compensation coverage. At June 30, 2005, the District had recorded \$363,128 accounts receivable from CRMA for prior years workers' compensation rebates and an accounts payable to CRMA of \$90,389 for the 2004-05 workers' compensation coverage.

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$2,755,000 of Tax and Revenue Anticipation Notes dated July 6, 2005. The notes mature on July 6, 2006, and yield 2.6 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 100 percent of principal and interest be deposited with the Fiscal Agent by May 31, 2006.

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REQUIRED SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2005

| | Budgeted Amounts (GAAP Basis) | | Actual ¹ (GAAP Basis) | Variances - Favorable (Unfavorable) Final to Actual |
|--|----------------------------------|----------------------|-------------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue limit sources | \$ 80,032,695 | \$ 81,986,406 | \$ 81,986,406 | \$ - |
| Federal sources | 10,841,468 | 14,853,346 | 11,496,760 | (3,356,586) |
| Other state sources | 20,704,174 | 23,144,268 | 21,539,859 | (1,604,409) |
| Other local sources | 1,180,500 | 5,254,844 | 5,234,075 | (20,769) |
| Total Revenues | 112,758,837 | 125,238,864 | 120,257,100 | (4,981,764) |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated Salaries | 54,408,533 | 57,086,386 | 56,330,838 | 755,548 |
| Classified salaries | 14,336,360 | 15,431,786 | 15,081,173 | 350,613 |
| Employee benefits | 26,928,413 | 27,252,592 | 27,166,838 | 85,754 |
| Books and supplies | 9,961,868 | 15,731,881 | 9,086,583 | 6,645,298 |
| Services and operating expenditures | 5,438,561 | 9,128,635 | 7,547,777 | 1,580,858 |
| Other outgo | 431,133 | 148,520 | 179,113 | (30,593) |
| Capital outlay | - | 595,291 | 451,474 | 143,817 |
| Debt service | 409,737 | 409,737 | 409,737 | - |
| Total Expenditures | 111,914,605 | 125,784,828 | 116,253,533 | 9,531,295 |
| Excess (Deficiency) of Revenues Over Expenditures | 844,232 | (545,964) | 4,003,567 | 3,457,603 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 120,000 | 547,990 | 557,157 | 9,167 |
| Transfers out | (1,119,650) | (1,658,360) | (1,658,360) | - |
| Other uses | (6,010) | (6,065) | (6,065) | - |
| Net Financing Sources (Uses) | (1,005,660) | (1,116,435) | (1,107,268) | 9,167 |
| NET CHANGE IN FUND BALANCES | (161,428) | (1,662,399) | 2,896,299 | 3,466,770 |
| Fund Balance - Beginning | 12,948,106 | 12,948,106 | 12,948,106 | - |
| Fund Balance - Ending | \$ 12,786,678 | \$ 11,285,707 | \$ 15,844,405 | \$ 3,466,770 |

¹ Excludes State STRS on behalf payments of \$2,481,678.

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SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Carol White Physical Education Grant | 84.215F | N/A | \$ 73,546 |
| Nutrition Grant | 02-25549 | N/A | 213,159 |
| Passed through California Department of Education (CDE): | | | |
| Adult Education | | | |
| Priority 1-3 | 84.002A | 13974 | 114,404 |
| Section 231 ABE | 84.002A | 14302 | 34,264 |
| Family Literacy Section 225 | 84.002A | 13972 | 13,794 |
| English, Literature & Civics | 84.002A | 14109 | 150,077 |
| No Child Left Behind | | | |
| Title I - Basic [1] | 84.010 | 14329 | 6,859,989 |
| Title I - School Assistance & Intervention Team | 84.010 | 14330 | 61,201 |
| Title I - Local Improvement | 84.011 | 13067 | 203,553 |
| Title I - Part C, Migrant | 84.011 | 13174 | 77,847 |
| Title I - Program Improvement | 84.010A | 14581 | 4,748 |
| Title II - Part A, Teacher Quality [1] | 84.367 | 14341 | 1,442,033 |
| Title II - Part D, Enhancing Education - Tech [1] | 84.318 | 14335 | 158,499 |
| Title II - Part D, Enhancing Education- Competitive [1] | 84.318 | 14368 | 214,958 |
| Title III - Immigrant Education Program | 84.365 | 14346 | 72,054 |
| Title III - LEP | 84.365 | 10084 | 446,080 |
| Title V - Innovative Education Strategies | 84.298A | 14354 | 171,358 |
| Title IV- Drug Free Schools | 84.186 | 14347 | 109,940 |
| Special Education - State Grants | | | |
| IDEA Basic | 84.173 | 13379 | 1,185,383 |
| Staff Development | 84.027 | 13613 | 3,036 |
| Vocational Educational Grants | | | |
| Adult Education | 84.048 | 13578 | 81,384 |
| Secondary Education | 84.048 | 13577 | 199,378 |
| School Age Child Care Resource Program | 93.575 | 13942 | 3,850 |
| Total U.S. Department of Education | | | <u>11,894,535</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through CDE: | | | |
| Department of Agriculture Cluster | 10.556 | 14198 | <u>5,270,851</u> |
| Total U.S. Department of Agriculture | | | <u>5,270,851</u> |
| Total Expenditures of Federal Awards | | | <u>\$17,165,386</u> |

[1] Tested as a major program under OMB Circular A-133 guidelines.

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2005

| | Second Period Report | Annual Report |
|--|----------------------------|------------------------|
| ELEMENTARY | | |
| Kindergarten | 1,398 | 1,412 |
| First through third | 4,210 | 4,225 |
| Fourth through sixth | 3,894 | 3,891 |
| Seventh and eighth | 2,419 | 2,411 |
| Opportunity schools | 8 | 9 |
| Home and hospital | 2 | 3 |
| Special education | 301 | 301 |
| Total Elementary | 12,232 | 12,252 |
| SECONDARY | | |
| Regular classes | 3,942 | 3,946 |
| Continuation education | 187 | 184 |
| Opportunity schools | 25 | 26 |
| Home and hospital | 5 | 5 |
| Special education | 189 | 189 |
| Total Secondary | 4,348 | 4,350 |
| Total K-12 | 16,580 | 16,602 |
| CLASSES FOR ADULTS | | |
| Concurrently enrolled | 14 | 17 |
| Not concurrently enrolled | 1,023 | 1,069 |
| Adults in correctional facilities | 6 | 6 |
| Total Classes for Adults | 1,043 | 1,092 |
| Grand Total | 17,623 | 17,694 |
| | | Hours of Attendance |
| SUPPLEMENTAL HOURS | | |
| K-12 Core instruction | | 110,446 |
| 7-12 Remedial instruction | | 100,412 |
| Grades 2-9 Pupils retained/recommended for retention | | 4,912 |
| Grades 2-6 Pupils at Risk of Retention | | 22,036 |
| Total Hours | | 237,806 |

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2005

| Grade Level | 1982-83 | 1986-87 | 2004-05 | Number of Days | | Status |
|---------------|-------------------|------------------------|-------------------|-------------------------|------------------------|----------|
| | Actual Minutes | Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 29,205 | 36,000 | 36,080 | 180 | 176 | Complied |
| Grades 1 - 3 | 40,710 | 50,400 | 53,405 | 180 | 176 | Complied |
| Grades 4 - 8 | 42,480 | 54,000 | 54,020 | 180 | 176 | Complied |
| Grades 9 - 12 | 58,608 | 64,800 | 64,987 | 180 | N/A | Complied |

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2005.

Summarized below are the Form Debt reconciliations between the Unaudited Actual Financial Report, and the audited financial statements:

| | General Long- Term Debt Account Group |
|---|---|
| LONG-TERM LIABILITIES | |
| Total Liabilities, June 30, 2005, Unaudited Actuals | \$ 67,447,708 |
| Adjustments | |
| General obligation bonds understated | 421,507 |
| Other long-term debt understated | <u>70,145</u> |
| Total Liabilities, June 30, 2005, Unaudited Actuals | |
| Audited Financial Statement | <u><u>\$ 67,939,360</u></u> |

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

| | (Budget) 2006 ¹ | 2005 ⁴ | 2004 ⁴ | 2003 ⁴ |
|--|-------------------------------|-------------------|-------------------|-------------------|
| GENERAL FUND | | | | |
| Revenues and other sources | \$120,969,544 | \$120,814,257 | \$114,469,771 | \$108,474,566 |
| Expenditures ⁴ | 119,508,825 | 116,253,533 | 110,146,789 | 109,182,726 |
| Other uses and transfers out | 1,433,231 | 1,664,425 | 4,329,448 | 3,307,904 |
| Total Expenditures and Other Uses | 120,942,056 | 117,917,958 | 114,476,237 | 112,490,630 |
| INCREASE/(DECREASE) IN FUND BALANCE | \$ 27,488 | \$ 2,896,299 | \$ (6,466) | \$ (4,016,064) |
| ENDING FUND BALANCE | \$ 15,871,893 | \$ 15,844,405 | \$ 12,948,106 | \$ 12,954,572 |
| AVAILABLE RESERVES ² | \$ 15,789,810 | \$ 11,800,717 | \$ 10,590,150 | \$ 7,926,616 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO | 13.1% | 10.0% | 9.3% | 7.0% |
| LONG-TERM DEBT | N/A | \$ 67,939,360 | \$ 46,674,032 | \$ 12,737,629 |
| AVERAGE DAILY ATTENDANCE AT P-2 ³ | 16,645 | 16,580 | 16,086 | 15,770 |

The General Fund balance has increased by \$2,889,833 over the past two years. The fiscal year 2005-06 budget projects an increase of \$27,488 (0.17 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2005-06 fiscal year. Total long-term debt has increased by \$55,131,586 over the past two years, primarily due to the issuance of new bonds and certificates of participation.

Average daily attendance has increased by 810 over the past two years. Additional growth of 74 ADA is anticipated during fiscal year 2005-06.

1 Budget 2006 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve-Other than Capital Outlay.

3 Excludes Adult Education ADA.

4 Excludes State STRS on behalf payments.

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2005**

| Name of Charter School | Included in Audit Report |
|-------------------------------|-----------------------------|
| Sherman Thomas Charter School | No |

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District or County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the School District or County Office of Education audit.

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SUPPLEMENTARY INFORMATION - UNAUDITED

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MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2005

| | Adult Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund |
|--|---------------------|------------------------------|---------------------|---------------------------------|
| ASSETS | | | | |
| Deposits and investments | \$ 862,002 | \$ 479,648 | \$ 1,898,560 | \$ 1,362,862 |
| Receivables | 276,313 | 141,394 | 961,592 | - |
| Due from other funds | 55,447 | - | 37,938 | - |
| Stores inventories | - | - | 169,115 | - |
| Total Assets | \$ 1,193,762 | \$ 621,042 | \$ 3,067,205 | \$ 1,362,862 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 144,199 | 28,807 | 199,201 | 16,177 |
| Due to other funds | 125,719 | 88,835 | 392,941 | - |
| Deferred revenue | 283,120 | 406,847 | - | - |
| Total Liabilities | 553,038 | 524,489 | 592,142 | 16,177 |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Revolving cash | - | - | 1,415 | - |
| Stores inventories | - | - | 169,115 | - |
| Unreserved: | | | | |
| Designated | 180,235 | - | 1,959,395 | - |
| Undesignated, reported in: | | | | |
| Special revenue funds | 460,489 | 96,553 | 345,138 | 1,346,685 |
| Debt service funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Total Fund Balances | 640,724 | 96,553 | 2,475,063 | 1,346,685 |
| Total Liabilities and Fund Balances | \$ 1,193,762 | \$ 621,042 | \$ 3,067,205 | \$ 1,362,862 |

See accompanying note to supplementary information - unaudited.

| Special Reserve Non-Capital Fund | Capital Facilities Fund | Special Reserve Capital Fund | Bond Interest and Redemption Fund | Tax Override Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|---|--|---|--|----------------------------------|----------------------------------|---|
| \$ 2,699,028 | \$9,225,973 | \$ 568,595 | \$ 2,017,338 | \$ 29,918 | \$ 803,093 | \$ 19,947,017 |
| - | - | - | - | - | - | 1,379,299 |
| - | - | 229,551 | - | - | - | 322,936 |
| - | - | - | - | - | - | 169,115 |
| <u>\$ 2,699,028</u> | <u>\$9,225,973</u> | <u>\$ 798,146</u> | <u>\$ 2,017,338</u> | <u>\$ 29,918</u> | <u>\$ 803,093</u> | <u>\$ 21,818,367</u> |
| - | 170,173 | - | - | - | - | 558,557 |
| - | 93,127 | 200,046 | - | 29,551 | - | 930,219 |
| - | - | - | - | - | - | 689,967 |
| - | <u>263,300</u> | <u>200,046</u> | <u>-</u> | <u>29,551</u> | <u>-</u> | <u>2,178,743</u> |
| - | - | - | - | - | - | 1,415 |
| - | - | - | - | - | - | 169,115 |
| - | - | - | - | - | - | 2,139,630 |
| 2,699,028 | - | - | - | - | - | 4,947,893 |
| - | - | - | 2,017,338 | 367 | 803,093 | 2,820,798 |
| - | 8,962,673 | 598,100 | - | - | - | 9,560,773 |
| <u>2,699,028</u> | <u>8,962,673</u> | <u>598,100</u> | <u>2,017,338</u> | <u>367</u> | <u>803,093</u> | <u>19,639,624</u> |
| <u>\$ 2,699,028</u> | <u>\$9,225,973</u> | <u>\$ 798,146</u> | <u>\$ 2,017,338</u> | <u>\$ 29,918</u> | <u>\$ 803,093</u> | <u>\$ 21,818,367</u> |

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2005

| | Adult Fund | Child Development Fund | Cafeteria Fund |
|--|-------------------|------------------------------|---------------------|
| REVENUES | | | |
| Revenue limit sources | \$ 2,512,130 | \$ - | \$ - |
| Federal sources | 393,923 | 3,851 | 5,270,852 |
| Other state sources | 273,699 | 1,311,514 | 340,800 |
| Other local sources | 214,657 | 5,332 | 1,510,855 |
| Total Revenues | 3,394,409 | 1,320,697 | 7,122,507 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 2,161,998 | 880,441 | - |
| Instruction-related activities: | | | |
| Instructional library, media and technology | 5,061 | - | - |
| School site administration | 925,174 | 91,136 | - |
| Pupil Services: | | | |
| Food services | - | 10,667 | 6,022,134 |
| All other pupil services | 149,834 | 21,425 | - |
| General administration: | | | |
| All other general administration | 16,019 | 147,213 | 573,443 |
| Plant services | 174,281 | 39,246 | 324,099 |
| Facility acquisition and construction | 78,317 | 91,831 | 87,332 |
| Debt service | | | |
| Principal | - | 19,947 | - |
| Interest and other | - | - | - |
| Total Expenditures | 3,510,684 | 1,301,906 | 7,007,008 |
| Excess (Deficiency) of Revenues Over Expenditures | (116,275) | 18,791 | 115,499 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 177,642 | - | - |
| Other sources | - | - | - |
| Transfers out | - | - | - |
| Net Financing Sources (Uses) | 177,642 | - | - |
| NET CHANGE IN FUND BALANCES | 61,367 | 18,791 | 115,499 |
| Fund Balance - Beginning | 579,357 | 77,762 | 2,359,564 |
| Fund Balance - Ending | \$ 640,724 | \$ 96,553 | \$ 2,475,063 |

See accompanying note to supplementary information - unaudited.

| Deferred Maintenance Fund | Special Reserve Non-Capital Fund | Capital Facilities Fund | Special Reserve Capital Fund | Bond Interest and Redemption Fund | Tax Override Fund |
|--|---|--|---|--|----------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 651,897 | - | - | - | 1,798 | 29,144 |
| 14,340 | 77,117 | 7,456,709 | 43,581 | 1,690,200 | 781 |
| 666,237 | 77,117 | 7,456,709 | 43,581 | 1,691,998 | 29,925 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 41,668 | - | - | - |
| 303,040 | - | 202,708 | - | - | - |
| 359,677 | - | 603,070 | - | - | - |
| - | - | - | - | 995,000 | 515 |
| - | - | - | - | 748,565 | - |
| 662,717 | - | 847,446 | - | 1,743,565 | 515 |
| 3,520 | 77,117 | 6,609,263 | 43,581 | (51,567) | 29,410 |
| 665,405 | - | - | 529,551 | - | - |
| - | - | - | - | 421,507 | - |
| - | (353,514) | (6,811,495) | (1,755,591) | - | (29,551) |
| 665,405 | (353,514) | (6,811,495) | (1,226,040) | 421,507 | (29,551) |
| 668,925 | (276,397) | (202,232) | (1,182,459) | 369,940 | (141) |
| 677,760 | 2,975,425 | 9,164,905 | 1,780,559 | 1,647,398 | 508 |
| \$ 1,346,685 | \$ 2,699,028 | \$ 8,962,673 | \$ 598,100 | \$ 2,017,338 | \$ 367 |

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – UNAUDITED, Continued FOR THE YEAR ENDED JUNE 30, 2005

| | Debt Service Fund | Total Non-Major Governmental Funds |
|--|-------------------------|---|
| REVENUES | | |
| Revenue limit sources | \$ - | \$ 2,512,130 |
| Federal sources | - | 5,668,626 |
| Other state sources | - | 2,608,852 |
| Other local sources | 30,656 | 11,044,228 |
| Total Revenues | 30,656 | 21,833,836 |
| EXPENDITURES | | |
| Current | | |
| Instruction | - | 3,042,439 |
| Instruction-related activities: | | |
| Instructional library, media and technology | - | 5,061 |
| School site administration | - | 1,016,310 |
| Pupil Services: | | |
| Food services | - | 6,032,801 |
| All other pupil services | - | 171,259 |
| General administration: | | |
| All other general administration | - | 778,343 |
| Plant services | - | 1,043,374 |
| Facility acquisition and construction | - | 1,220,227 |
| Debt service | | |
| Principal | 4,919,073 | 5,934,535 |
| Interest and other | 884,869 | 1,633,434 |
| Total Expenditures | 5,803,942 | 20,877,783 |
| Excess (Deficiency) of Revenues Over Expenditures | (5,773,286) | 956,053 |
| Other Financing Sources (Uses): | | |
| Transfers in | 974,628 | 2,347,226 |
| Other sources | - | 421,507 |
| Transfers out | - | (8,950,151) |
| Net Financing Sources (Uses) | 974,628 | (6,181,418) |
| NET CHANGE IN FUND BALANCES | (4,798,658) | (5,225,365) |
| Fund Balance - Beginning | 5,601,751 | 24,864,989 |
| Fund Balance - Ending | \$ 803,093 | \$ 19,639,624 |

See accompanying note to supplementary information - unaudited.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
Madera Unified School District
Madera, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2005, which collectively comprise the Madera Unified School District's basic financial statements and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madera Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Madera Unified School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Financial Statement Findings as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Madera Unified School District in a separate letter dated September 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madera 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Financial Statement Findings as item 2005-1.

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

Vavrinek, Trine, Day & Co., LLP
Fresno, California
September 30, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Madera Unified School District
Madera, California

Compliance

We have audited the compliance of Madera Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Madera Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Madera Unified School District's management. Our responsibility is to express an opinion on Madera Unified School District's compliance based on our audit.

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

In our opinion, Madera Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Madera Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Madera Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Karvinel, Trine, Day & Co., LLP

Fresno, California
September 30, 2005



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Madera Unified School District
Madera, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Madera Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Madera Unified School District's compliance with the State laws and regulations applicable to the following items:

| | Procedures in Controller's Audit Guide | Procedures Performed |
|---|--|-------------------------|
| Attendance Accounting: | | |
| Attendance reporting | 8 | Yes |
| Kindergarten continuance | 3 | Yes |
| Independent study | 22 | Yes |
| Continuation education | 10 | Yes |
| Adult education | 9 | Yes |
| Regional occupational centers and programs | 6 | Not Applicable |
| Instructional time and staff development reform program | 7 | Yes |
| Instructional Time: | | |
| School districts | 4 | Yes |
| County offices of education | 3 | Not Applicable |
| Community day schools | 9 | Not Applicable |

| | Procedures in Controller's Audit Guide | Procedures Performed |
|--|--|-------------------------|
| Class Size Reduction Program: | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not Applicable |
| District or charter schools with only one school servicing K-3 | 4 | Not Applicable |
| Instructional Materials: | | |
| General requirements | 12 | Yes |
| K-8 only | 1 | Yes |
| 9-12 only | 1 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Early retirement incentive | 4 | Not Applicable |
| GANN limit calculation | 1 | Yes |
| School Construction Funds: | | |
| School District bonds | 3 | Yes |
| State school facilities funds | 1 | Yes |
| Alternative pension plans | 2 | Not Applicable |
| Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000) | 2 | Yes |
| State Lottery Funds (California State Lottery Act of 1984) | 2 | Yes |
| California School Age Families Education (Cal-SAFE) | | |
| Program | 3 | Yes |
| School Accountability Report Card | 3 | No (see below) |

We did not perform testing for School Accountability Report Card because the District issued its 2004 SARC's prior to January 31, 2005, when the revised requirements were issued.

Based on our audit, we found that for the items tested, the Madera Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Madera Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Madera Unified School District's compliance with the State laws and regulations referred to above.

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

Varrinell, Trine, Day & Co., LLP
Fresno, California
September 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENTS

| | |
|---|--------------------|
| Type of auditors' report issued: | <u>Unqualified</u> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <u>No</u> |
| Reporting conditions identified not considered to be material weaknesses? | <u>Yes</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|--|----------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Reporting conditions identified not considered to be material weaknesses? | <u>None reported</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unqualified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | |
| Identification of major programs: | <u>No</u> |

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| <u>84.010</u> | <u>Title I Program</u> |
| <u>84.367</u> | <u>Title II - Part A, Teacher Quality Program</u> |
| <u>84.318</u> | <u>Title II - Part B, Enhancing Education through</u> |
| | <u>Technology & Competitive Grant</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 514,962</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

STATE AWARDS

| | |
|---|--------------------|
| Internal control over State programs: | |
| Material weaknesses identified? | <u>No</u> |
| Reporting conditions identified not considered to be material weaknesses? | <u>Yes</u> |
| Type of auditors' report issued on compliance for State programs: | <u>Unqualified</u> |

MADERA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

The following finding represents a reportable condition and instance of noncompliance related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 30000 | Internal Control |

2005-1 30000

State Preschool Indirect Cost Charge

Finding

During our audit of indirect cost charges to programs, we found that the District charged the State Preschool program an indirect cost in excess of the District's allowable rate of 5.00 percent. The error occurred because capital outlay expenditures were not removed from total expenditures in the indirect cost calculation. The questioned cost is \$4,432.

Recommendation

The District should reduce its indirect cost charge to State Preschool in the 2005-06 fiscal year by the amount of the questioned cost noted above. The District's State Preschool fiscal reports should reflect the actual charges in each year.

District Response

The District will reduce the indirect cost charge to the State Preschool in the 2005-06 fiscal year by \$4,432 as recommended. To prevent this from happening in the future, the formula in the worksheet used to calculate the State Preschool indirect has been corrected to exclude capital outlay expenditures.

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance including questioned costs that were required to be reported by OMB Circular A-133.

MADERA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations. The finding has been coded as follows:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 40000 | State Compliance |

2005-2 40000

Cal-Safe Attendance

Finding

The District receives funding for students participating in the Cal-Safe program based on student attendance. During our audit of the District's Cal-Safe program, we found that the District uses incorrect divisors in calculating the average daily attendance reported on the Cal-Safe Report of Attendance. The divisor should have been 180 (total days in the school year) for all students. The District used each student's days of enrollment. The reported ADA of 87.50 for the 2004-2005 fiscal year is 45.63 over the actual ADA of 41.87 for a questioned cost of \$110,752 based on funding per unit of ADA of \$2,427.

Recommendation

The District should submit a revised Cal-Safe Report of Attendance for the 2004-2005 fiscal year that reflects corrections for the above noted error.

District Response

The District has submitted a revised Cal-Safe Report of Attendance for the 2004-05 fiscal year. To prevent this from happening in the future, the worksheet used for calculating the average daily attendance for students participating in the Cal-Safe program has been corrected to use 180 (total days in the school year) for all students as the divisor.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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

Federal Award Findings

2004-1 50000

Title I

CFDA #84.010

Questioned Cost: \$21,436

Finding

The time documentation compliance requirements of the Office of Management and Budget's (OMB) Circular A-87, as revised in July of 1998, are not being followed by departments who administer Federally funded programs. The requirements are that an employee, who's salary is charged to more than one source (i.e. Migrant and Regular Unrestricted Funds) must complete a monthly activity log three times a year to support the percentages charged to each program. These time logs are to be compared to the actual percentage charged to the Federal Programs if the variance is more than ten percent, the charges must be adjusted immediately. If the variance is less than ten percent the District can wait until the end of the year to make the adjustment. If the variances are less than ten percent consistently (for the year), the District has the option of completing the activity logs semi-annually. Employees who are charged fully to one Federal program are to certify semi-annually that they have worked solely in the program to which their salary is charged, or their supervisors are to certify the employee worked solely in the program.

Based on testing performed we noted two employees whose time accountability worksheets did not agree to the percentage charged to Title I. Specifically, one employee certified that she worked 45 percent of the time in Title I, however 55 percent of her salary and benefits was charged to the program. Additionally, a second employee did not certify any hours worked in Title I, but 15 percent of his salary and benefits was charged to the program.

Recommendation

The District should implement the procedures outlined in the Circular A-87 including actual time logs (three times a year), review of the time logs, cost allocation adjustments, and semi-annual certifications as outlined in the finding.

Current Status

Implemented

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

2004-2 50000

Title I

CFDA #84.010

Questioned Cost: \$21,524

Finding

During our testing of expenditures for Title I, we noted a number of expenditures for computer hardware (totaling \$20,961) for James Madison Elementary School and (\$15,361) for Dixieland Elementary School that were in the school site plan but exceeded the budgeted amount, Madison budgeted, \$20,000, and Dixieland budgeted \$4,000. In addition, Dixieland expenditures were charged to Title I but in the School Site Plan budget, the expenditure was budgeted to SIP. We also noted expenditures for library books, which amounted to \$9,202 for Madera High School, these expenditures were not included in the school site plan budget.

Recommendation

The District should reclassify the unallowable expenditures totaling \$21,524 to an alternate funding source or risk losing Title I funding. In the future, the District should ensure that the school site plan budgets are accurate based on purchasing needs, and examine future purchases to ensure that expenditures are correctly charged. The District should print the individual site budgets from the General Ledger (G/L) system and have the School Site Councils adopt the G/L budget as addendums to the School Site plan. This will ensure that the General Ledger system is being used to monitor the spending of the sites.

Current Status

Implemented