

**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2006

MADERA UNIFIED SCHOOL DISTRICT
OF MADERA COUNTY
MADERA, CALIFORNIA
JUNE 30, 2006

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
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J. Gary Adams	Clerk	2008
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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

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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, the business-type 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, 2006, 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District, as of June 30, 2006, and the respective changes in financial position 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 November 9, 2006, 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, the Combining Statements - Non-Major Governmental Funds, are presented for purposes of additional analysis and are 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.

Vaurinek, Urine, Day & Co., LLP

Fresno, California
November 9, 2006



MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2005-06

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J. Gary Adams, Clerk
Robert E. Garibay
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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, 2006.

FINANCIAL HIGHLIGHTS

- The District's total net assets for all Governmental Activities for the 2005-06 year were \$138.1 million.
- Overall revenues were \$167.8 million, fully \$21.5 million more than expenses.
- The District's net capital assets increased from \$96.1 million to \$154.5 million; 60.8% increase over prior year. This was due to the construction projects at Nishimoto, Chavez, Pershing, and Parkwood Elementary, Desmond Middle School, and Madera South High School.
- The District increased its outstanding long-term obligations due to the General Obligations Bond of \$3.8 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:

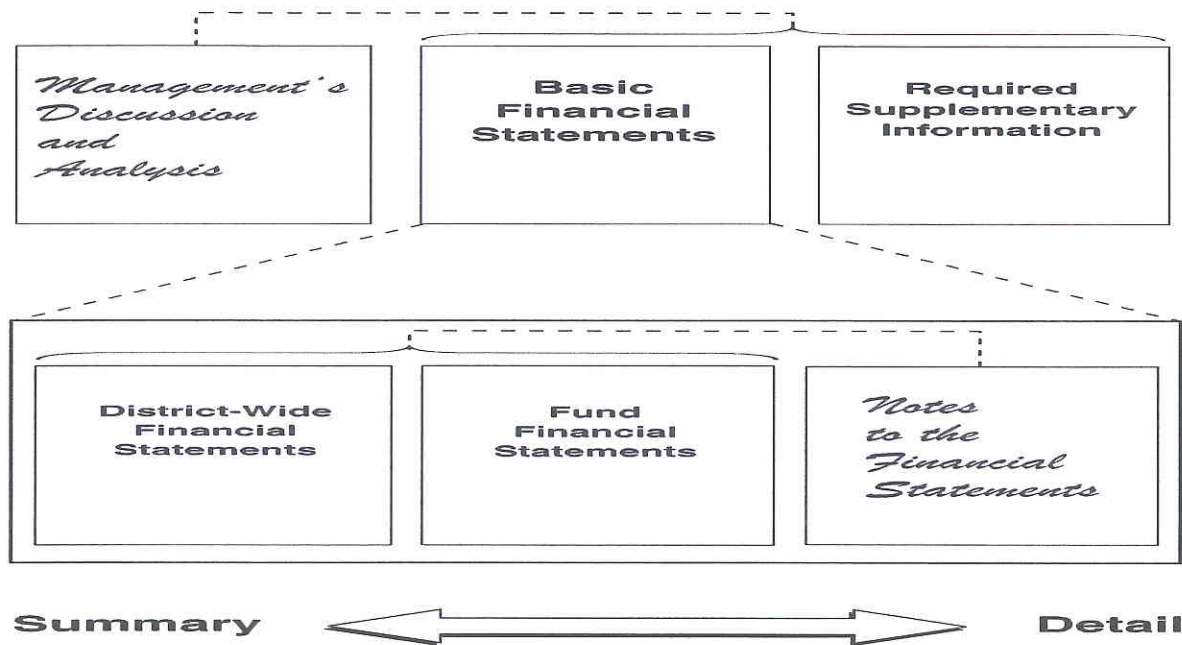
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations 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 2005-06

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 2005-06

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 2005-06

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 2005-06

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were significantly larger on June 30, 2006, than they were the year before, increasing more than 14.8% percent to \$138.1 million. (see Table A-1.) This improvement in the District's financial position came from its governmental activities, the net assets of which grew \$21.5 million.

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

	Governmental Activities	
	2006	2005
Current and Other Assets	\$ 73.3	\$ 112.2
Capital Assets	154.5	96.5
Total Assets	227.8	208.7
Long-Term Obligations Outstanding	70.0	68.0
Other Liabilities	19.7	24.1
Total Liabilities	89.7	92.1
Invested in Capital Assets, net of related debt	85.7	29.3
Restricted	37.6	72.1
Unrestricted	14.8	15.2
Total Net Assets	\$ 138.1	\$ 116.6

The District's improved financial position is the product of several factors. However, primary reason for this improvement is:

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

Changes in net assets. The District's total governmental revenues were \$167.8 million (see Table A-2). Property taxes and state aid formula accounted for most of the District's revenue, with state aid contributing about .51¢ of every dollar raised and property taxes contributing about .10¢ of every dollar raised (see Figure A-3). Another .28¢ came from categorical programs, and the remainder from fees charged for services .02¢ and miscellaneous sources .09¢.

The total cost of all governmental programs and services was \$146.4 million. The District's expenses are predominantly related to educating and caring for students (83.6%) (see Figure A-4). The purely administrative activities of the District accounted for just 4.2% of total costs. Maintenance, operations, facility acquisition and construction expenses account for 12.2% of the District's expenses.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2005-06

Total revenues surpassed expenses, increasing net assets \$21.5 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	
	2006	2005
Revenues:		
General Revenues:		
State Aid Formula	\$ 73.1	\$ 78.1
Property Taxes	16.9	15.6
Other	27.1	12.5
Program Revenues:		
Charges for Services	2.7	0.9
Categorical Revenues	48.0	52.3
Total Revenues	<u>167.8</u>	<u>159.4</u>
Expenses:		
Instruction Related	104.6	92.5
Pupil Services	17.5	15.6
General Administration	6.1	7.3
Plant Services	13.6	11.9
Other Outgo	4.5	6.4
Total Expenses	<u>146.3</u>	<u>133.7</u>
Increase (Decrease) in Net Assets	<u><u>\$ 21.5</u></u>	<u><u>\$ 25.7</u></u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2005-06

GOVERNMENTAL ACTIVITIES

Revenues for the District's governmental activities were \$167.8 million, while total expenses were \$146.3 million. The increase in net assets for governmental activities was \$21.5 million in 2006.

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:

- \$879,297 in budget cuts were made to the General Fund to balance the 2005-06 Adopted Budget. The majority of the cuts were not reinstated as funding became available due to anticipated financial impact of opening new schools in 2006-07.
- The Net Capital Assets increased \$58.4 million due to the construction projects completed and currently in progress.
- An additional \$3.8 million General Obligation Bond was issued for New Construction of school facilities during the 2005-06 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	
	2006	2005	2006	2005
Instruction	\$ 104.6	\$ 95.0	\$ 77.1	\$ 56.3
Student Transportation	5.0	4.5	0.9	0.9
Food Services	6.7	5.9	(0.2)	1.0
All Other Pupil Services	5.7	5.2	4.0	3.7
General Administration	6.1	7.3	4.9	5.0
Plant Services	13.6	11.9	9.6	10.6
Other	4.6	3.9	2.0	3.0
Total	\$ 146.3	\$ 133.7	\$ 98.3	\$ 80.5

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2005-06

- The cost of governmental activities this year was \$146.3 million.
- Some of the cost was paid by the users of the District's programs (\$2.7 million).
- The federal and state governments subsidized certain programs with grants and contributions (\$45.3 million).
- Most of the District's costs, \$111.7 million, however, were paid for by District taxpayers and the taxpayers of California, in general.
- This portion of governmental activities was paid for with \$15.1 million in property taxes, \$96.5 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 \$52.6 million; this is \$34.4 million lower than last year since only current assets are reported in the governmental funds.

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.
- \$1.5 million increase in Revenue Limit due to increased ADA and the funded COLA.
- Federal, State, and Local revenues were \$11.4 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 \$10 million above adopted budget mainly due to the increases in federal, state and local grant awards and entitlements and prior year retroactive salary increases paid.
- \$879,297 in budget cuts were included in the adopted budget. As funds became available, the majority of the cuts were not reinstated.
- The Board authorized a 4% salary increase for 2005-06. Although this increase is still pending with Madera Unified Teacher's Association, the amount was designated in the ending balance of the 2005-06 Financial Report.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2005-06

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District had invested \$155 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 \$59 million or 61% over last year. Total accumulated depreciation for the year exceeded \$40 million.

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

	Governmental Activities		Total Percentage Change
	2006	2005	
Land	\$ 7.0	\$ 4.7	32.9%
Site Improvements	0.8	0.5	37.5%
Construction in Progress	105.4	52.2	50.5%
Buildings	37.9	37.1	2.1%
Furniture and Equipment	3.4	1.7	50.0%
Totals	\$ 154.5	\$ 96.1	172.9%

Madera Unified's student enrollment has grown steadily to reach a present enrollment of 17,991 as set forth in the District's "Development Fee Justification Study/School Facilities Needs Analysis" report dated July 2006; 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 1500 high school students and 1,750 K-8 students.

The District's fiscal year 2007 construction in progress includes:

- Desmond Middle School Est. Completion 2006-07
- Nishimoto K-6 School Est. Completion 2006-07
- Chavez K-6 School Est. Completion 2006-07
- MHS-South Est. Completion 2006-07
- Portable Classrooms at 6 Elementary Sites Est. Completion 2006-07
- Madera High School Stadium Est. Completion 2006-07
- Painting Projects at 3 Sites Est. Completion 2006-07

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2005-06

- Parking Lot Projects at 2 Sites Est. Completion 2006-07
- Pershing Elementary Est. Completion 2007-08
- Parkwood Elementary Est. Completion 2008-09
- Future High School Est. Completion 2013-14

LONG-TERM OBLIGATIONS

At year-end the District had \$69.3 million long-term obligations outstanding - an increase of 2.8% from last year - as shown in Table A-5.

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

	Governmental Activities		Total
	2006	2005	Percentage Change
General Obligation Bonds	\$ 44.8	\$ 42.2	5.8%
Certificates of Participation	18.7	19.0	-1.6%
Capital Leases Payable	3.5	3.7	-5.7%
Other General Long-Term Debt	1.8	1.9	-5.6%
Compensated Absences	1.2	1.1	8.3%
Total	\$ 70.0	\$ 67.9	1%

- The District added \$3.8 million General Obligation Bond payable and \$65,263 to Early Retiree Incentive payable and \$34,042 to Compensated Absences.
- The 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 in future years. The COLA for 2006-07 is the highest it has been in 20 years.
- The outcome of the District's negotiations with the various unions cannot be predicted, however, the expectations from employee bargaining units are very high for 2006-07.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2005-06

- The future costs of Health and Welfare benefits are anticipated to increase. Although the rates for active employees did not increase in 2006-07, the retiree's rates increased 43%.
- The passage of a local General Obligation Bond to assist the District with facility projects will play a major role in the District's financing capital facilities.
- One-time and on-going costs associated with opening the following new schools:
 - Madera South High School and Chavez Elementary in 2006-07
 - Pershing Elementary in 2007-08
 - Parkwood Elementary in 2008-09
 - Third High School 2013-14

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, 2006

	Governmental Activities
ASSETS	
Deposits and investments	\$ 56,026,987
Receivables	15,715,005
Prepaid expenses	938,160
Stores inventories	526,597
Nondepreciable capital assets	112,433,860
Depreciable capital assets	82,299,977
Accumulated depreciation	(40,181,053)
Total Assets	227,759,533
LIABILITIES	
Accounts payable	17,894,902
Deferred revenue	1,804,760
Current portion of long-term obligations	3,266,779
Noncurrent portion of long-term obligations	66,727,935
Total Liabilities	89,694,376
NET ASSETS	
Invested in capital assets, net of related debt	85,709,640
Restricted for:	
Debt service	2,669,000
Capital projects	24,485,827
Educational programs	4,057,658
Other activities	6,276,846
Self-insurance	3,843
Unrestricted	14,862,343
Total Net Assets	\$ 138,065,157

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 86,990,847	\$ 39,021	\$ 19,186,410	\$ 677,219
Instruction-related activities:				
Supervision of instruction	3,576,195	6	3,387,316	-
Instructional library, media and technology	940,779	190	474,556	-
School site administration	13,075,672	15,288	3,744,923	-
Pupil services:				
Home-to-school transportation	5,039,281	356,679	3,780,199	-
Food services	6,753,324	1,465,070	5,473,916	-
All other pupil services	5,686,791	5,709	1,689,189	-
General administration:				
Data processing	768,808	-	-	-
All other general administration	5,343,248	58,098	1,172,560	-
Plant services	13,641,184	74,301	3,942,078	-
Ancillary services	1,511,331	1,541	3,850	-
Community services	26,505	-	-	-
Interest on long-term obligations	2,186,131	-	-	-
Other outgo	854,778	713,403	1,865,612	-
Total Governmental-Type Activities	\$ 146,394,874	\$ 2,729,306	\$ 44,720,609	\$ 677,219
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				
Transfers between agencies				
Miscellaneous				
Subtotal, General Revenues				
Excess (Deficiency) of Revenues Over Expenses				
Total General Revenues and Transfers				
Change in Net Assets				
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**

\$ (67,088,197)

(188,873)

(466,033)

(9,315,461)

(902,403)

185,662

(3,991,893)

(768,808)

(4,112,590)

(9,624,805)

(1,505,940)

(26,505)

(2,186,131)

1,724,237

(98,267,740)

14,926,173

1,969,643

82,202,127

1,727,574

97,947

18,793,894

119,717,358

21,449,618

21,449,618

116,615,539

\$ 138,065,157

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2006

	General Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 19,914,653	\$ 11,784,348	\$ 10,934,911
Receivables	11,949,059	-	545,191
Due from other funds	600,893	7,767	1,995,756
Prepaid expenses	287	-	-
Stores inventories	358,706	-	-
Total Assets	\$ 32,823,598	\$ 11,792,115	\$ 13,475,858
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	12,800,494	239,990	4,127,234
Due to other funds	48,474	1,198,035	9,119
Deferred revenue	1,128,362	-	-
Total Liabilities	13,977,330	1,438,025	4,136,353
FUND BALANCES			
Reserved	4,276,290	-	-
Unreserved:			
Designated	11,149,354	-	-
Undesignated, reported in:			
General Fund	3,420,624	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	10,354,090	9,339,505
Total Fund Balance	18,846,268	10,354,090	9,339,505
Total Liabilities and Fund Balances	\$ 32,823,598	\$ 11,792,115	\$ 13,475,858

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 13,388,082	\$ 56,021,994
3,217,394	15,711,644
120,814	2,725,230
3,890	4,177
167,891	526,597
<u>\$ 16,898,071</u>	<u>\$ 74,989,642</u>
725,186	17,892,904
1,467,089	2,722,717
676,398	1,804,760
<u>2,868,673</u>	<u>22,420,381</u>
173,196	4,449,486
118,124	11,267,478
-	3,420,624
6,276,846	6,276,846
2,669,000	2,669,000
4,792,232	24,485,827
<u>14,029,398</u>	<u>52,569,261</u>
<u>\$ 16,898,071</u>	<u>\$ 74,989,642</u>

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MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

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

Total Fund Balance - Governmental Funds		\$ 52,569,261
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	\$ 194,733,837	
Accumulated depreciation is	<u>(40,181,053)</u>	
Total capital assets		154,552,784
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:		
		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:		
		3,843
Long-term liabilities at year end consist of:		
General obligation bonds	(44,797,901)	
Certificates of participation	(18,705,000)	
State Preschool Loan Program	(119,683)	
Capital lease obligations	(3,460,021)	
Compensated absences	(1,151,570)	
Early retirement incentive obligation	<u>(1,760,539)</u>	
Total long-term liabilities		(69,994,714)
Total Net Assets - Governmental Activities		\$ 138,065,157

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, 2006

	General Fund	Capital Facilities Fund
REVENUES		
Revenue limit sources	\$ 87,334,304	\$ -
Federal sources	14,385,854	-
Other state sources	26,074,719	113,400
Other local sources	7,445,873	11,982,896
Total Revenues	135,240,750	12,096,296
EXPENDITURES		
Current		
Instruction	81,977,946	-
Instruction-related activities:		
Supervision of instruction	3,583,580	-
Instructional library, media and technology	935,482	-
School site administration	11,801,314	-
Pupil Services:		
Home-to-school transportation	6,582,833	-
Food services	922	-
All other pupil services	5,499,442	-
General administration:		
Data processing	803,788	-
All other general administration	4,797,590	147,951
Plant services	12,658,230	276,646
Facility acquisition and construction	199,348	682,836
Ancillary services	1,539,209	-
Community services	26,505	-
Other outgo	854,778	-
Debt service		
Principal	225,962	-
Interest and other	297,210	-
Total Expenditures	131,784,139	1,107,433
Excess (Deficiency) of Revenues Over Expenditures	3,456,611	10,988,863
Other Financing Sources (Uses):		
Transfers in	1,302,437	-
Other sources	-	-
Transfers out	(1,757,187)	(9,597,445)
Net Financing Sources (Uses)	(454,750)	(9,597,445)
NET CHANGE IN FUND BALANCES	3,001,861	1,391,418
Fund Balance - Beginning	15,844,407	8,962,672
Fund Balance - Ending	\$ 18,846,268	\$ 10,354,090

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,674,356	\$ 90,008,660
-	5,793,361	20,179,215
677,219	2,899,623	29,764,961
3,017,431	5,445,456	27,891,656
<u>3,694,650</u>	<u>16,812,796</u>	<u>167,844,492</u>
-	3,037,679	85,015,625
-	-	3,583,580
-	5,297	940,779
-	1,171,316	12,972,630
-	-	6,582,833
-	6,913,354	6,914,276
-	216,319	5,715,761
-	-	803,788
-	396,896	5,342,437
65,379	651,327	13,651,582
54,907,556	2,795,865	58,585,605
-	-	1,539,209
-	-	26,505
-	-	854,778
-	1,614,549	1,840,511
2,947	2,045,542	2,345,699
<u>54,975,882</u>	<u>18,848,144</u>	<u>206,715,598</u>
<u>(51,281,232)</u>	<u>(2,035,348)</u>	<u>(38,871,106)</u>
24,513,156	4,574,946	30,390,539
-	3,954,812	3,954,812
-	(18,504,246)	(29,858,878)
<u>24,513,156</u>	<u>(9,974,488)</u>	<u>4,486,473</u>
<u>(26,768,076)</u>	<u>(12,009,836)</u>	<u>(34,384,633)</u>
36,107,581	26,039,234	86,953,894
<u>\$ 9,339,505</u>	<u>\$ 14,029,398</u>	<u>\$ 52,569,261</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, 2006

Total Net Change in Fund Balances - Governmental Funds \$(34,384,633)
**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 statement of activities.

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

Depreciation expense	\$ (2,644,612)	
Capital outlays	<u>61,065,878</u>	58,421,266

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). (120,568)

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	(3,834,300)
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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:

Certificates of participation	330,000
General obligation bonds	2,045,473
Capital lease obligations	225,963
Child care facilities revolving fund	19,947

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 additional accumulated interest that was accreted on the Districts' "capital appreciation" general obligation bonds. (721,872)

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, 2006

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.

Change in Net Assets of Governmental Activities

\$ (531,658)
<u>\$ 21,449,618</u>

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, 2006

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 4,993
Total Current Assets	<u>4,993</u>
Total Assets	<u>4,993</u>
LIABILITIES	
Current Liabilities	
Due to other funds	<u>1,150</u>
Total Current Liabilities	<u>1,150</u>
NET ASSETS	
Unrestricted	<u>3,843</u>
Total Net Assets	<u>\$ 3,843</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, 2006

	Governmental Activities - Internal Service Fund
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>15,843</u>
Total Nonoperating Revenues (Expenses)	<u>15,843</u>
Income (Loss) Before Capital Contributions and Transfers	15,843
Transfers out	<u>(531,661)</u>
Change in Net Assets	(515,818)
Total Net Assets - Beginning	<u>519,661</u>
Total Net Assets - Ending	<u><u>\$ 3,843</u></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, 2006

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) other funds	\$ (1,150)
Net Cash Provided (Used) from Noncapital Financing Activities	(1,150)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers out	(531,661)
Net Cash Provided (Used) for Capital and Related Financing Activities	(531,661)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	15,843
Net Cash Provided (Used) from Investing Activities	15,843
Net increase in cash and cash equivalents	(515,818)
Cash and cash equivalents - Beginning	519,661
Cash and cash equivalents - Ending	<u>\$ 3,843</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, 2006

	Private- Purpose Trusts	Agency Funds
ASSETS		
Deposits and investments	\$ 115,413	\$ 370,859
Due from other funds	1,999	-
Total Assets	117,412	\$ 370,859
LIABILITIES		
Due to other funds	3,362	
Due to student groups		
Jefferson	-	13,329
King	-	19,572
La Vina	-	7,179
Washington	-	5,579
Madera High	-	317,178
Ripperdan	-	1,005
FBLA Allow Card	-	294
Desmond Middle	-	6,571
Mountain Vista High School	-	152
Total Liabilities	3,362	\$ 370,859
NET ASSETS-RESERVED		
Lorraine Thompson Scholarship	52,481	
Student Government Scholarship	2,906	
Albonico Scholarship	9,066	
Ray Pool Scholarship	3,909	
Gomez-Vidal Scholarship	5,999	
Esperanza Scholarship	2,975	
Harwood Memorial Scholarship	172	
K. Roberts Memorial Scholarship	120	
R. Scott Memorial Scholarship	600	
Science & Health Scholarship	375	
E. L. L. Scholarship	4,497	
FCCLA Scholarship	1,646	
Binger Scholarship	1,986	
J. Desmond Scholarship	120	
FMC Food Tech Scholarship	7,000	
J. Hinton Scholarship	800	
Cadenazzi Roberts Scholarship	13,707	
Berry-Robotics Scholarship	5,001	
School of Business Scholarship	500	
Marketing/CVELP Scholarship	186	
Joan Davis Scholarship	2	
Total Net Assets	\$ 114,048	

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, 2006

	Private- Purpose Trust
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 1,700
Student Government Scholarship	1,000
Albonico Sholarship	851
E. L. L. Scholarship	6,948
Ray Pool Scholarship	2,015
Gomez-Vidal Scholarship	5,332
FMC Food Tech Scholarship	6,000
Esperanza Scholarship	10
J. Hinton Scholarship	1,250
Science & Health Scholarship	13
Binger Scholarship	59
Caddenazzi Roberts Scholarship	3,473
Berry-Robotics Scholarship	5,001
Joan Davis Scholarship	2,514
Marketing/CVELP Scholarship	60
Total Additions	36,226
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	2,000
Albonico Sholarship	500
E. L. L. Scholarship	5,796
Gomez-Vidal Scholarship	2,483
FMC Food Tech Scholarship	5,000
Esperanza Scholarship	70
J. Hinton Scholarship	750
FCCLA Scholarship	400
Madera Athletic	20,316
Caddenazzi Roberts Scholarship	2,800
Joan Davis Scholarship	2,512
Marketing/CVELP Scholarship	198
Total Deductions	42,825
Change in Net Assets	(6,599)
Net Assets - Beginning	120,647
Net Assets - Ending	\$ 114,048

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 two joint powers agencies, the California Risk Management Authority (CRMA) and the Central Valley Schools Health and Welfare Trust (CVT). These organizations do not meet the criteria for inclusion as component units 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, 2006

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.

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).

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.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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:

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.

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).

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using 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, 2006

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year.

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 long-term obligations, 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Investments

Investments held at June 30, 2006, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

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.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 first 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 \$37,493,174 of restricted net assets, of which \$31,857,620 is restricted by enabling legislation.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

New Accounting Pronouncements

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 June 2005, the GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASBS No. 47 is encouraged.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 56,026,987
Fiduciary funds	486,272
Total Deposits and Investments	<u>\$ 56,513,259</u>

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 454,424
Cash in revolving	56,415
Investments	56,002,420
Total Deposits and Investments	<u>\$ 56,513,259</u>

Policies and Practices

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing 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, 2006

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	\$ 2,755,000	\$ 2,755,000	\$ -	\$ -	\$ -
Annuity Guaranteed Investment Contract	290,516	-	290,516	-	-
U.S. Agency Money Market Mutual Funds	379,648	379,648	-	-	-
County Pool	52,577,256	52,577,256	-	-	-
Total	<u>\$ 56,002,420</u>	<u>\$ 55,711,904</u>	<u>\$ 290,516</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	Rating as of Year End		
			AAA	Aa	Unrated
Held by Trustee:					
Guaranteed Investment Contract-TRAN	\$ 2,755,000	N/A	\$ -	\$ -	\$ 2,755,000
Annuity Guaranteed Investment Contract	290,516	N/A	-	-	290,516
U.S. Agency Money Market Mutual Funds	379,648	N/A	-	-	379,648
County Pool	52,577,256	N/A	-	-	52,577,256
Total	<u>\$ 56,002,420</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,002,420</u>

N/A - Not applicable

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, 2006

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, 2006, the District's bank balance of \$316,547 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 \$3,045,516, the District has a custodial credit risk exposure of \$3,045,516 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, 2006

NOTE 3 - RECEIVABLES

Receivables at June 30, 2006, 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
Federal Government				
Categorical aid	\$ 2,968,478	\$ -	\$ 1,484,434	\$ 4,452,912
State Government				
Apportionment	5,444,932	-	252,518	5,697,450
Categorical aid	164,773	-	150,000	314,773
Lottery	321,772	-	-	321,772
Other State	1,340,218	-	1,246,929	2,587,147
Local Government				
Interest	75,197	-	-	75,197
Other Local Sources	1,633,689	545,191	83,513	2,262,393
Total Fund Statements	<u>\$ 11,949,059</u>	<u>\$ 545,191</u>	<u>\$ 3,217,394</u>	15,711,644
Fiduciary funds external balances adjustment				3,361
Total Government-Wide Statements				<u>\$ 15,715,005</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 4,695,964	\$ 2,323,470	\$ -	\$ 7,019,434
Construction in progress	52,235,458	55,395,578	(2,216,610)	105,414,426
Total Capital Assets Not Being Depreciated	56,931,422	57,719,048	(2,216,610)	112,433,860
Capital Assets being depreciated				
Land improvements	481,741	475,730	-	957,471
Buildings and improvements	66,297,650	2,464,057	-	68,761,707
Furniture and equipment	10,571,832	2,623,652	(614,685)	12,580,799
Total Capital Assets Being Depreciated	77,351,222	5,563,439	(614,685)	82,299,977
Less Accumulated Depreciation				
Land improvements	21,606	63,423	-	85,029
Buildings and improvements	29,189,203	1,772,974	-	30,962,177
Furniture and equipment	8,940,315	808,217	614,685	9,133,847
Total Accumulated Depreciation	38,151,126	2,644,614	614,685	40,181,053
Governmental Activities Capital Assets, Net	\$96,131,518	\$60,637,873	\$ (2,216,610)	\$ 154,552,784

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,067,677
School site administration	127,991
Home-to-school transportation	222,703
Food services	59,429
Data processing	15,463
Plant services	151,351
Total Depreciation Expenses Governmental Activities	\$ 2,644,614

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2006, between major and non-major governmental funds, internal service funds, and fiduciary funds are as follows:

	Interfund Receivables	Interfund Payables
Funds		
General	\$ 600,893	\$ 48,474
Capital Facilities	7,767	1,198,035
County School Facilities	1,995,756	9,119
Non-Major Funds	120,814	1,467,089
Fiduciary Funds	2,000	3,363
Internal Service	-	1,150
Total	<u>\$ 2,727,230</u>	<u>\$ 2,727,230</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Operating Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

The General Fund transferred to the Adult Fund for Lottery transfer.	\$ 167,961
The General Fund transferred to the Special Reserve - Capital Outlay Fund for future construction of new sites.	200,000
The General Fund transferred to the Deferred Maintenance Fund for the required State match.	670,972
The General Fund transferred to the COP Debt Service Fund for debt service payment.	293,550
The Special Reserve - Other Fund transferred to the General Fund to reimburse costs paid for out of General Fund.	1,100,000
The Building Fund transferred to the County School Facilities Fund for building projects.	17,403,601
The Builders/Developers Fee Fund transferred to the COP Debt Service Fund for future Debt Service Payments.	975,244
The Builders/Developers Fee Fund transferred to the General Fund three percent of the developer fees collected.	201,792
The Builders/Developers Fee Fund transferred to the County School Facilities Fund for the completion of the construction projects.	7,109,555
The Self Insurance Fund transferred to the Special Reserve Capital Outlay Fund for reimbursement of costs.	531,661
The General Fund transferred to the Special Reserve Non - Capital Fund for Retiree expected costs.	424,704
The Building/Developers Fee Fund transferred to the Special Reserve - Capital Outlay Fund for construction projects.	1,310,854
The Tax Override Fund transferred to the General Fund to reimburse for expenditures.	645
Total	<u>\$ 30,390,539</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, 2006

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2006, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Supplies	\$ 287	\$ 3,890	\$ 4,177
Prepaid debt issuance costs			933,983
Total prepaid expenses on government-wide statements			\$ 938,160

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,606,261	\$ 239,990	\$ 4,127,234	\$ 614,000	\$ 7,587,485
Accrued payroll	1,424,115	-	-	111,184	1,535,299
Deferred payroll	2,809,891	-	-	-	2,809,891
TRAN	2,755,000	-	-	-	2,755,000
Benefits pass through	3,205,227	-	-	-	3,205,227
Total	\$ 12,800,494	\$ 239,990	\$ 4,127,234	\$ 725,184	17,892,902

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2006, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 1,104,101	\$ -	\$ 1,104,101
State categorical aid	24,261	665,527	689,788
Other local	-	10,871	10,871
Total	\$ 1,128,362	\$ 676,398	\$ 1,804,760

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES

At July 1, 2005, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$4,955,000, which matured on July 6, 2005. On July 6, 2005, the District issued \$2,755,000 Tax and Revenue Anticipation Notes bearing interest at 2.6 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2006. By June 30, 2006, 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, 2005	Additions	Payments	Outstanding June 30, 2006
July 6, 2005	2.60%	July 6, 2006	\$ -	\$2,755,000	\$ -	\$ 2,755,000
July 6, 2004	1.60%	July 6, 2005	4,955,000	-	4,955,000	-
Total			<u>\$4,955,000</u>	<u>\$2,755,000</u>	<u>\$4,955,000</u>	<u>\$ 2,755,000</u>

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General obligation bonds-2003	\$15,285,729	\$ -	\$1,175,729	\$14,110,000	\$ 280,000
General obligation bonds-2005					
Current Interest Bonds	12,670,000	-	-	12,670,000	625,000
Capital Appreciation Bonds	14,331,473	721,872	869,744	14,183,601	-
General obligation bonds-2006					
Current Interest Bonds	-	1,915,000	-	1,915,000	15,000
Capital Appreciation Bonds	-	1,919,300	-	1,919,300	-
State Preschool Revolving Loan	139,630	-	19,947	119,683	19,947
Certificates of participation-1992	795,000	-	250,000	545,000	265,000
Certificates of participation-2004	18,240,000	-	80,000	18,160,000	85,000
Accumulated vacation - net	1,117,528	1,151,570	1,117,528	1,151,570	1,151,570
Early retirement programs	1,674,013	695,744	609,218	1,760,539	587,545
Capital leases	3,685,984	-	225,963	3,460,021	237,717
Total	<u>\$67,939,357</u>	<u>\$6,403,486</u>	<u>\$4,348,129</u>	<u>\$69,994,714</u>	<u>\$3,266,779</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2005	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2006
2002, Series 2003 General Obligation Bonds:							
8/1/2003	8/04-8/28	1-4.90%	\$ 16,200,000	\$ 15,205,000	\$ -	\$ 1,095,000	\$ 14,110,000
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	721,872	-	14,183,601
2002, Series 2006 General Obligation Bonds							
3/1/06	8/1/2031	3.75-4.68%	6,820,000	-	3,834,300	-	3,834,300
Total				<u>\$ 41,336,729</u>	<u>\$ 4,556,172</u>	<u>\$ 1,095,000</u>	<u>\$ 44,797,901</u>

Debt Service Requirements to Maturity

General Obligation Bonds

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 920,000	\$ 1,337,305	\$ 2,257,305
2008	795,000	1,278,126	2,073,126
2009	865,000	1,250,476	2,115,476
2010	990,000	1,219,189	2,209,189
2011	1,125,000	1,181,327	2,306,327
2012-2016	8,115,000	4,997,311	13,112,311
2017-2021	10,081,993	6,307,606	16,389,599
2022-2026	10,541,070	9,952,630	20,493,700
2027-2031	10,476,100	14,609,399	25,085,499
Subtotal	43,909,163	42,133,369	86,042,532
Accreted Interest	888,738	(888,738)	-
Total	<u>\$ 44,797,901</u>	<u>\$ 41,244,631</u>	<u>\$ 86,042,532</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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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 six years by January 1 of \$19,947.

Year Ending June 30,	Lease Payment
2007	\$ 19,947
2008	19,947
2009	19,947
2010	19,947
2011	19,947
2012	19,948
Total	<u>\$ 119,683</u>

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, 2006, the principal balance outstanding was \$545,000.

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, 2006, the principal balance outstanding was \$18,160,000.

Series	Issue Date	Amount Issued	Interest Rates	Balance Beg. Of Year	Principal Paid		Outstanding End of Year
					Defeased- Current Year		
1992	12/1/1992	\$ 6,995,000	3.55-6.00%	\$ 795,000	\$ 250,000		\$ 545,000
2004	5/1/2004	18,240,000	3.50-5.35%	18,240,000	80,000		18,160,000
Total				<u>\$ 19,035,000</u>	<u>\$ 330,000</u>		<u>\$ 18,705,000</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 350,000	\$ 920,657	\$ 1,270,657
2008	370,000	900,394	1,270,394
2009	95,000	887,919	982,919
2010	390,000	884,119	1,274,119
2011	405,000	868,519	1,273,519
2012-2016	2,290,000	4,070,533	6,360,533
2017-2021	2,910,000	3,458,815	6,368,815
2022-2026	3,705,000	2,655,565	6,360,565
2027-2031	4,735,000	1,630,576	6,365,576
2032-2034	3,455,000	360,032	3,815,032
Total	<u>\$ 18,705,000</u>	<u>\$ 16,637,129</u>	<u>\$ 35,342,129</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$1,151,570.

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 \$1,760,539 and is reported as long-term debt. The amount paid during the current fiscal year related to the early retirement programs totaled \$609,218.

The early retirement has minimum payments as follows:

Year Ending June 30,	Debt Payment
2007	\$ 587,545
2008	473,953
2009	372,896
2010	236,431
2011	89,714
Total	<u>\$ 1,760,539</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Capital Leases

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

	Leases
Balance, July 1, 2005	\$ 3,685,987
Payments	225,963
Balance, June 30, 2006	<u>\$ 3,460,024</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2007	\$ 409,737
2008	409,737
2009	409,737
2010	409,737
2011	409,737
2012-2016	2,048,685
2017-2018	457,551
Total	<u>4,554,921</u>
Less: Amount Representing Interest	<u>1,094,897</u>
Present Value of Minimum Lease Payments	<u>\$ 3,460,024</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 11 - FUND BALANCES

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 55,000	\$ -	\$ -	\$ 1,415	\$ 56,415
Stores inventory	358,706	-	-	171,781	530,487
Prepaid expenditures	287	-	-	-	287
Restricted programs	3,862,297	-	-	-	3,862,297
Total Reserved	4,276,290	-	-	173,196	4,449,486
Unreserved					
Designated					
Economic uncertainties	3,927,193	-	-	-	3,927,193
Other designation	7,222,161	-	-	118,124	7,340,285
Total Designated	11,149,354	-	-	118,124	11,267,478
Undesignated	3,420,624	10,354,090	9,339,505	13,738,078	36,852,297
Total Unreserved	14,569,978	10,354,090	9,339,505	13,856,202	48,119,775
Total	\$18,846,268	\$10,354,090	\$9,339,505	\$14,029,398	\$52,569,261

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2006, there were no District major funds that exceeded the budgeted amounts.

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, 168 employees meet those eligibility requirements. Additionally, two board members are receiving life-time benefits. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$609,218 were recognized for retirees' health care benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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.

Workers' Compensation

The District pays for workers' compensation through the California Risk Management Authority.

Employee Medical Benefits

The District pays for employee medical, surgical and dental through the Central Valley Schools Health and Welfare Trust.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 2005-2006 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, 2006, 2005, and 2004, were \$4,932,912, \$4,645,801, and \$4,486,343, respectively, and equal 100 percent of the required contributions for each year.

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 2005-2006 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, 2006, 2005, and 2004, were \$1,491,482, \$1,451,306, and \$1,550,514, 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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 \$2,700,876 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2006. 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.

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, 2006.

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, 2006.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Alpha Portable	\$ 10,000	2006-07
Future High School	100,192,598	2013-14
Parkwood Elementary	23,508,000	2008-09
Pershing Ellis Elementary	16,130,950	2007-08
Adams Portable	27,610	2006-07
Eastin Arcola Portable	82,831	2006-07
Madera High School Stadium	1,838,229	2006-07
Madison Paint	53,250	2006-07
Millview Parking Lot	13,786	2006-07
Lincoln Portable	55,220	2006-07
Ripperdan Parking Lot	105,464	2006-07
Sierra Vista Paint	53,250	2006-07
Sierra Vista Portable	53,221	2006-07
Washington Portable	27,610	2006-07
King Paint	106,500	2006-07
MHS - South New Construction	1,500,000	2006-07
MHS - Transition Phase Modernization	5,119,702	2006-07
Desmond Middle School	50,000	2006-07
Nishimoto K-6 School	50,000	2006-07
Chavez K-6 School	1,135,561	2006-07
Total	<u>\$150,113,782</u>	

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the California Risk Management Authority (CRMA) and the Central Valley Schools Health and Welfare Trust (CVT) public entity risk pools. The District pays an annual premium to these entities for its property and liability, workers' compensation and health coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

The entities have 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 entities and the District is included in these statements. Audited financial statements are available from the entities.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The District has appointed one board member to the governing board of CRMA and CVT.

During the year ended June 30, 2006, the District made payment of \$2,836,821 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2006, the District made payment of \$20,135,200 to CVT for health and welfare benefits.

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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, 2006

	Budgeted Amounts (GAAP Basis)		Actual ¹ (GAAP Basis)	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$85,791,496	\$87,334,304	\$ 87,334,304	\$ -
Federal sources	11,914,202	16,149,664	14,385,854	(1,763,810)
Other state sources	18,722,997	23,883,638	23,439,836	(443,802)
Other local sources	4,420,849	7,095,839	7,445,873	350,034
Total Revenues	<u>120,849,544</u>	<u>134,463,445</u>	<u>132,605,867</u>	<u>(1,857,578)</u>
EXPENDITURES				
Current				
Certificated Salaries	56,624,667	60,971,618	59,864,770	1,106,848
Classified salaries	15,269,347	17,108,252	16,764,545	343,707
Employee benefits	30,552,833	29,143,302	28,828,150	315,152
Books and supplies	10,045,880	17,431,193	11,806,584	5,624,609
Services and operating expenditures	6,415,985	9,744,476	8,594,456	1,150,020
Other outgo	152,736	417,996	435,592	(17,596)
Capital outlay	37,644	2,948,070	2,442,187	505,883
Debt service	409,733	409,737	409,737	-
Total Expenditures	<u>119,508,825</u>	<u>138,174,644</u>	<u>129,146,021</u>	<u>9,028,623</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,340,719</u>	<u>(3,711,199)</u>	<u>3,459,846</u>	<u>7,171,045</u>
Other Financing Sources (Uses):				
Transfers in	120,000	1,236,452	1,302,437	65,985
Transfers out	(1,427,131)	(1,763,843)	(1,757,187)	6,656
Other uses	(6,100)	(6,096)	(3,235)	2,861
Net Financing Sources (Uses)	<u>(1,313,231)</u>	<u>(533,487)</u>	<u>(457,985)</u>	<u>75,502</u>
NET CHANGE IN FUND BALANCES	<u>27,488</u>	<u>(4,244,686)</u>	<u>3,001,861</u>	<u>7,246,547</u>
Fund Balance - Beginning	<u>15,844,407</u>	<u>15,844,407</u>	<u>15,844,407</u>	<u>-</u>
Fund Balance - Ending	<u>\$15,871,895</u>	<u>\$11,599,721</u>	<u>\$ 18,846,268</u>	<u>\$ 7,246,547</u>

¹ Excludes on behalf payments made to STRS by the State of California.

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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, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Clean School Bus ¹	N/A	10048	\$ 789,085
Nutrition Grant	02-25549	N/A	207,609
Passed through California Department of Education (CDE):			
Adult Education			
Priority 1-3	84.002A	13974	108,854
Section 231 ABE	84.002A	14302	39,150
Family Literacy Section 225	84.002A	13972	10,125
English, Literature & Civics	84.002A	14109	53,775
No Child Left Behind			
Title I - Basic ¹	84.010	14329	8,550,632
Title I - School Assistance & Intervention Team ¹	84.010	14330	53,249
Title I - Local Improvement ¹	84.010	13067	1,648
Title I - Part C, Migrant	84.011	13174	54,029
Title I - Program Improvement	84.010A	14581	274,853
Title II - Part A, Teacher Quality	84.367	14341	1,381,682
Title II - Part A, Principal Training	84.367	14344	15,300
Title II - Part D, Enhancing Education - Tech	84.318	14335	159,188
Title II - Part D, Enhancing Education- Competitive	84.318	14368	181,127
Title III - Immigrant Education Program	84.365	14346	72,346
Title III - LEP ¹	84.365	10084	1,066,616
Title V - Innovative Education Strategies	84.298A	14354	99,584
Title IV- Drug Free Schools	84.186	14347	138,562
Special Education - State Grants			
IDEA Basic ¹	84.173	13379	1,132,613
Vocational Educational Grants			
Adult Education	84.048	13578	81,609
Secondary Education	84.048	13577	207,733
Total U.S. Department of Education			<u>14,679,369</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Department of Agriculture Cluster	10.556	14198	5,482,896
Total U.S. Department of Agriculture			<u>5,482,896</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
School Age Child Care Resource Program	93.575	13942	16,950
Total Expenditures of Federal Awards			<u><u>\$20,179,215</u></u>

¹ Tested as a major program

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2006

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,419	1,425
First through third	4,228	4,234
Fourth through sixth	3,906	3,896
Seventh and eighth	2,388	2,382
Opportunity schools	11	10
Home and hospital	1	1
Special education	287	291
Total Elementary	12,240	12,239
SECONDARY		
Regular classes	3,934	3,903
Continuation education	299	297
Opportunity schools	22	23
Home and hospital	4	5
Special education	202	201
Total Secondary	4,461	4,429
Total K-12	16,701	16,668
CLASSES FOR ADULTS		
Concurrently enrolled	22	23
Not concurrently enrolled	1,038	1,090
Adults in correctional facilities	7	7
Total Classes for Adults	1,067	1,120
Special education		
Elementary	0	0
High School	9	9
Total County Supplemental Programs	9	9
Grand Total	17,777	17,797
		Hours of Attendance
SUPPLEMENTAL HOURS		
K-12 Core instruction		73,793
7-12 Remedial instruction		136,436
Grades 2-9 Pupils retained/recommended for retention		3,866
Grades 2-6 Pupils at Risk of Retention		50,488
Total Hours		264,583

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2006

Grade Level	1982-83	1986-87	2005-06	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	52,205	180	176	Complied
Grades 4 - 8	42,480	54,000	54,020	180	176	Complied
Grades 9 - 12	58,608	64,800	67,011	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, 2006

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

	Special Reserve Other
FUND BALANCE	
Balance, June 30, 2006, Unaudited Actuals	\$ 1,685,230
Increase in:	
Accounts Receivable	1,185,050
Balance, June 30, 2006, Audited Financial Statement	<u>\$ 2,870,280</u>

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

	Long-Term Obligations Account Group
FORM DEBT	
Total Liabilities, June 30, 2006, Unaudited Actuals	\$ 69,321,097
Adjustments	
General obligation bonds understated	602,156
Other long-term obligations overstated	(48,222)
State school building loans payable understated	119,683
Total Liabilities, June 30, 2006, Audited Financial Statement	<u>\$ 69,994,714</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

	(Budget) 2007 ¹	2006 ⁴	2005 ⁴	2004 ⁴
GENERAL FUND				
Revenues and other sources	\$133,449,571	\$133,908,304	\$120,814,259	\$114,469,771
Expenditures ⁴	128,786,829	129,146,021	116,253,533	110,146,789
Other uses and transfers out	1,996,169	1,760,422	1,664,425	4,329,448
Total Expenditures and Other Uses	130,782,998	130,906,443	117,917,958	114,476,237
INCREASE/(DECREASE) IN FUND BALANCE	\$ 2,666,573	\$ 3,001,861	\$ 2,896,301	\$ (6,466)
ENDING FUND BALANCE	\$ 21,512,841	\$ 18,846,268	\$ 15,844,407	\$ 12,948,106
AVAILABLE RESERVES ²	\$ 19,180,413	\$ 10,218,097	\$ 11,800,717	\$ 10,590,150
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	14.7%	7.8%	10.0%	9.3%
LONG-TERM OBLIGATIONS	\$ 67,880,000	\$ 69,994,714	\$ 67,939,360	\$ 46,674,032
AVERAGE DAILY ATTENDANCE AT P-2 ³	16,940	16,711	16,580	16,086

The General Fund balance has increased by \$5,898,162 over the past two years. The fiscal year 2006-07 budget projects an increase of \$2,666,573 (14.1 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 an operating surplus in two of the past three years and anticipates incurring an operating surplus during the 2006-07 fiscal year. Total long-term obligations have increased by \$23,320,682 over the past two years, primarily due to the issuance of new bonds and certificates of participation.

Average daily attendance has increased by 625 over the past two years. Additional growth of 229 ADA is anticipated during fiscal year 2006-07.

¹ Budget 2007 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, 2006**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Sherman Thomas Charter School	No
Ezequiel Tafoya Alvarado Academy	No

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

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 District, and displays information for each charter school on whether or not the charter school is included in the District 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, 2006

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 801,618	\$ 489,901	\$ 45,851	\$ 1,819,108
Receivables	454,499	160,861	1,416,984	-
Due from other funds	7,251	-	42,296	-
Prepaid expenses	-	3,890	-	-
Stores inventories	-	-	167,891	-
Total Assets	\$ 1,263,368	\$ 654,652	\$ 1,673,022	\$ 1,819,108
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	122,808	75,289	297,677	9,493
Due to other funds	60,641	67,749	402,209	-
Deferred revenue	295,271	381,127	-	-
Total Liabilities	478,720	524,165	699,886	9,493
Fund Balances:				
Reserved for:				
Revolving cash	-	-	1,415	-
Stores inventories	-	-	167,891	-
Prepaid expenditures	-	3,890	-	-
Unreserved:				
Designated	13,755	-	104,369	-
Undesignated, reported in:				
Special revenue funds	770,893	126,597	699,461	1,809,615
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balances	784,648	130,487	973,136	1,809,615
Total Liabilities and Fund Balances	\$ 1,263,368	\$ 654,652	\$ 1,673,022	\$ 1,819,108

See accompanying note to supplementary information - unaudited.

Special Reserve Non-Capital Fund	Building Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ 1,685,230	\$ 2,892,181	\$2,985,193	\$ 1,837,273	\$ -	\$ 831,727	\$ 13,388,082
1,185,050	-	-	-	-	-	3,217,394
-	71,267	-	-	-	-	120,814
-	-	-	-	-	-	3,890
-	-	-	-	-	-	167,891
<u>\$ 2,870,280</u>	<u>\$ 2,963,448</u>	<u>\$2,985,193</u>	<u>\$ 1,837,273</u>	<u>\$ -</u>	<u>\$ 831,727</u>	<u>\$ 16,898,071</u>
-	-	219,919	-	-	-	725,186
-	936,490	-	-	-	-	1,467,089
-	-	-	-	-	-	676,398
-	936,490	219,919	-	-	-	2,868,673
-	-	-	-	-	-	1,415
-	-	-	-	-	-	167,891
-	-	-	-	-	-	3,890
-	-	-	-	-	-	118,124
2,870,280	-	-	-	-	-	6,276,846
-	-	-	1,837,273	-	831,727	2,669,000
-	2,026,958	2,765,274	-	-	-	4,792,232
<u>2,870,280</u>	<u>2,026,958</u>	<u>2,765,274</u>	<u>1,837,273</u>	<u>-</u>	<u>831,727</u>	<u>14,029,398</u>
<u>\$ 2,870,280</u>	<u>\$ 2,963,448</u>	<u>\$2,985,193</u>	<u>\$ 1,837,273</u>	<u>\$ -</u>	<u>\$ 831,727</u>	<u>\$ 16,898,071</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, 2006

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Revenue limit sources	\$ 2,674,356	\$ -	\$ -
Federal sources	293,513	16,951	5,482,897
Other state sources	283,858	1,540,485	366,633
Other local sources	163,515	24,480	1,663,316
Total Revenues	3,415,242	1,581,916	7,512,846
EXPENDITURES			
Current			
Instruction	1,981,875	1,055,804	-
Instruction-related activities:			
Instructional library, media and technology	5,297	-	-
School site administration	994,874	176,442	-
Pupil Services:			
Food services	-	11,526	6,901,828
All other pupil services	194,704	21,615	-
General administration:			
All other general administration	6,378	61,742	328,776
Plant services	169,279	41,635	343,791
Facility acquisition and construction	86,872	159,270	1,440,379
Debt service			
Principal	-	169,947	-
Interest and other	-	-	-
Total Expenditures	3,439,279	1,697,981	9,014,774
Excess (Deficiency) of Revenues Over Expenditures	(24,037)	(116,065)	(1,501,928)
Other Financing Sources (Uses):			
Transfers in	167,961	-	-
Other sources	-	150,000	-
Transfers out	-	-	-
Net Financing Sources (Uses)	167,961	150,000	-
NET CHANGE IN FUND BALANCES	143,924	33,935	(1,501,928)
Fund Balance - Beginning	640,724	96,552	2,475,064
Fund Balance - Ending	\$ 784,648	\$ 130,487	\$ 973,136

See accompanying note to supplementary information - unaudited.

Deferred Maintenance Fund	Special Reserve Non-Capital Fund	Building Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Tax Override Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
677,011	-	-	-	31,636	-
35,188	1,271,252	263,465	(14,320)	2,009,765	277
712,199	1,271,252	263,465	(14,320)	2,041,401	277
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
96,283	-	-	339	-	-
823,958	-	-	285,386	-	-
-	-	-	-	1,095,000	-
-	-	-	-	1,126,466	-
920,241	-	-	285,725	2,221,466	-
(208,042)	1,271,252	263,465	(300,045)	(180,065)	277
670,972	-	-	2,467,219	-	-
-	-	3,804,812	-	-	-
-	(1,100,000)	(17,403,601)	-	-	(645)
670,972	(1,100,000)	(13,598,789)	2,467,219	-	(645)
462,930	171,252	(13,335,324)	2,167,174	(180,065)	(368)
1,346,685	2,699,028	15,362,282	598,100	2,017,338	368
\$ 1,809,615	\$ 2,870,280	\$ 2,026,958	\$ 2,765,274	\$ 1,837,273	\$ -

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, 2006

	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES		
Revenue limit sources	\$ -	\$ 2,674,356
Federal sources	-	5,793,361
Other state sources	-	2,899,623
Other local sources	28,518	5,445,456
Total Revenues	28,518	16,812,796
EXPENDITURES		
Current		
Instruction	-	3,037,679
Instruction-related activities:		
Instructional library, media and technology	-	5,297
School site administration	-	1,171,316
Pupil Services:		
Food services	-	6,913,354
All other pupil services	-	216,319
General administration:		
All other general administration	-	396,896
Plant services	-	651,327
Facility acquisition and construction	-	2,795,865
Debt service		
Principal	349,602	1,614,549
Interest and other	919,076	2,045,542
Total Expenditures	1,268,678	18,848,144
Excess (Deficiency) of Revenues Over Expenditures	(1,240,160)	(2,035,348)
Other Financing Sources (Uses):		
Transfers in	1,268,794	4,574,946
Other sources	-	3,954,812
Transfers out	-	(18,504,246)
Net Financing Sources (Uses)	1,268,794	(9,974,488)
NET CHANGE IN FUND BALANCES	28,634	(12,009,836)
Fund Balance - Beginning	803,093	26,039,234
Fund Balance - Ending	\$ 831,727	\$ 14,029,398

See accompanying note to supplementary information - unaudited.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2006

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, the business-type activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2006, which collectively comprise the Madera Unified School District's basic financial statements and have issued our report thereon dated November 9, 2006. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 November 9, 2006.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Vautinsek, Shine, Day & Co., LLP

Fresno, California
November 9, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2006. 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, 2006.

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.

Vavrinek, Orkin, Day & Co, LLP

Fresno, California
November 9, 2006



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, the business-type activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
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	Not Applicable
School Accountability Report Card	3	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Additional Non classroom-based instruction	1	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

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. 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, the California Department of Finance, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Urine, Day & Co., LLP

Fresno, California
November 9, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2006

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>None reported</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>N/A</u>	<u>Clean School Bus</u>
<u>84.010</u>	<u>Title I - Basic</u>
<u>84.010</u>	<u>Title I - School Assistance & Intervention Team</u>
<u>84.011</u>	<u>Title I - Local Improvement</u>
<u>84.365</u>	<u>Title III - LEP</u>
<u>84.173</u>	<u>IDEA Basic</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 514,962</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State 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 State programs:	<u>Unqualified</u>

MADERA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance related to the financial statements that were required to be reported in accordance with *Government Auditing Standards*.

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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, 2006

There were no findings representing instances of noncompliance nor questioned costs relating to State program laws and regulations.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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.

Financial Statement Findings

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.

Current Status

Implemented.

State Award Findings

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.

MADERA UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Current Status

Implemented.