

**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

MADERA UNIFIED SCHOOL DISTRICT
OF MADERA COUNTY
MADERA, CALIFORNIA
JUNE 30, 2007

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
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Ray G. Seibert	Clerk	2008
Carles Beckett	Trustee	2010
Robert E. Garibay	Trustee	2008
Dr. Loraine Goodwin	Trustee	2010
Philip D. Janzen	Trustee	2010
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Amparo DeAnda	Associate Superintendent, Educational Services
Kelly Porterfield	Associate Superintendent, Business and Operations
Robert Chavez	Chief Academic Officer, K-12
John Stafford	Chief Academic Officer, K-12
Jake Bragonier	Public Information Officer

MADERA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Madera Unified School District
Madera, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District (the "District") as of and for the year ended June 30, 2007, 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 2006-07* 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, each major fund, and the aggregate remaining fund information of the Madera Unified School District, as of June 30, 2007, 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, 2007, 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.

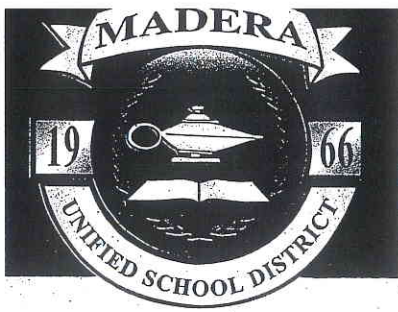
The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 54, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted 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*, is presented for purposes of additional analysis and is 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, is 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vaurinek, Irine, Day & Co., LLP

Fresno, California
November 9, 2007



MADERA UNIFIED SCHOOL DISTRICT

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2006-07

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Michael Westley, Trustee



Where the futures of children
are driven by their
aspirations, not bound by
their circumstances.

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, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

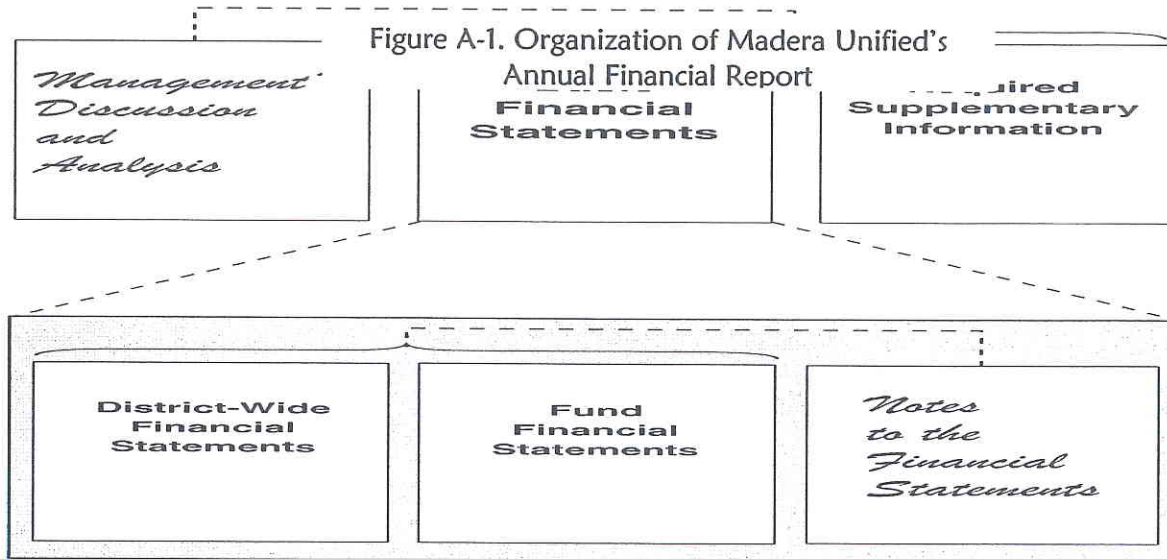
This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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.

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.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07



Summary ↔ Detail

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

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07

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.

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 major funds:

- Governmental funds - 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

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07

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.

FINANCIAL HIGHLIGHTS

- The District's total net assets for all Governmental Activities for the 2006-07 year were \$154 million.
- Overall revenues were \$178.5 million, fully \$15.9 million more than expenses.
- The District's net capital assets increased from \$154.5 million to \$184.4 million; 19.4% increase over prior year. This was due to the completion of construction projects at Desmond Middles School, Nishimoto Elementary, Chavez Elementary, Madera High Stadium, and various Portable Classroom, Painting, and Paving Projects.
- The District increased its outstanding long-term obligations due to the General Obligations Bond of \$27.9 million to build new schools.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were significantly larger on June 30, 2007, than they were the year before, increasing more than 11% percent to \$154 million. (see Table A-1.) This improvement in the District's financial position came from its governmental activities, the net assets of which grew \$15.9 million.

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

	Governmental Activities		
	2007	2006	Change
Current and Other Assets	\$ 81.3	\$ 73.3	\$ 8.0
Capital Assets	184.4	154.5	29.9
Total Assets	265.7	227.8	37.9
Long-Term Obligations Outstanding	99.4	70.0	29.4
Other Liabilities	12.3	19.7	(7.4)
Total Liabilities	111.7	89.7	22.0
Invested in Capital Assets, net of related debt	86.5	85.7	0.8
Restricted	52.7	37.6	15.1
Unrestricted	14.8	14.8	-
Total Net Assets	\$ 154.0	\$ 138.1	\$ 15.9

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07

Changes in net assets. The District's total governmental revenues were \$178.6 million (see Table A-2). Property taxes and state aid formula accounted for most of the District's revenue, with federal and state unrestricted aid contributing about \$88.8 million and property taxes contributing about \$19.4 million (see Figure A-3). Another \$56.5 million came from categorical programs, \$2.7 million came from fees charged for services, and \$11.2 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$162.7 million. The District's expenses are predominantly related to educating and caring for students (82%) (see Figure A-4). The purely administrative activities of the District accounted for just 4% of total costs. Maintenance, operations, facility acquisition and construction expenses account for 14% of the District's expenses.

Total revenues surpassed expenses, increasing net assets \$15.9 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		
	2007	2006	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 88.8	\$ 73.1	\$ 15.7
Property Taxes	19.4	16.9	2.5
Other	11.2	27.1	(15.9)
Program Revenues:			
Charges for Services	2.7	2.7	-
Categorical Revenues	56.5	48.0	8.5
Total Revenues	<u>178.6</u>	<u>167.8</u>	<u>10.8</u>
Expenses:			
Instruction Related	113.6	104.6	9.0
Pupil Services	19.5	17.5	2.0
General Administration	6.8	6.1	0.7
Plant Services	15.9	13.6	2.3
Other	6.9	4.5	2.4
Total Expenses	<u>162.7</u>	<u>146.3</u>	<u>16.4</u>
Increase (Decrease) in Net Assets	<u><u>\$ 15.9</u></u>	<u><u>\$ 21.5</u></u>	<u><u>\$ (5.6)</u></u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07

GOVERNMENTAL ACTIVITIES

The recent good health of the District's finances can be credited both to a strong economy and diligent planning and monitoring of the budget to sustain financial solvency:

- Revenue Limit Funding was 8.35% higher than 2005-06, and funding for new restricted programs were added to the 2006-07 Budget. This additional funding helped with the significant new costs related to opening Pershing Elementary School, Madera South High School, and adding additional support staff in 2006-07 without making additional budget reductions.
- Budget cuts were made to the General Fund to balance the 2006-08 Adopted Budget. The majority of the cuts were not reinstated as funding became available due to anticipated financial impact of opening new schools in 2007-08.
- The Net Capital Assets increased \$29.9 million due to the construction projects completed and currently in progress.
- An additional \$27.9 million General Obligation Bond was issued for New Construction of school facilities during the 2006-07 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	
	2007	2006	2007	2006
Instruction	113.7	\$ 104.6	\$ 72.7	\$ 77.1
Student Transportation	5.4	5.0	1.8	0.9
Food Services	7.2	6.7	-	(0.2)
All Other Pupil Services	6.9	5.7	4.8	4.0
General Administration	6.8	6.1	5.4	4.9
Plant Services	15.9	13.6	14.2	9.6
Other	6.8	4.6	4.5	2.0
Total	\$ 162.7	\$ 146.3	\$ 103.4	\$ 98.3

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07

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 \$67.2 million; this is \$14.7 million higher 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.
- \$1.6 million increase in Revenue Limit due to increased ADA and the funded COLA.
- Federal, State, and Local revenues were \$8.4 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 \$12.6 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.
- 71.52 new positions were included in the adopted budget due to opening Madera South High, Chavez, Pershing, and District Support Staff. 69.81 new positions were filled using Unrestricted General Fund dollars as a result of opening the new schools.
- 2006-07 negotiations are still pending with Madera Unified Teacher's Association and California School Employees Association.

Madera Unified's student enrollment has grown steadily to reach a present enrollment of 18,643 as set forth in the District's "Development Fee Justification Study/School Facilities Needs Analysis" report dated August 2007; 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 K-6 students and 2700 High School students.

The District's fiscal year 2008 construction in progress includes:

- Nishimoto Portable Project Est. Completion 2007-08
- MHS-South Est. Completion 2007-08
- MHS-Transition Phase Modernization Est. Completion 2008-09
- Madera High School Stadium Lighting Est. Completion 2008-09
- Mountain Vista Refurbishment Est. Completion 2008-09
- Pershing Elementary Est. Completion 2008-09
- Parkwood Elementary Est. Completion 2008-09
- Future High School Est. Completion 2013-14

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2006-07

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District had invested \$184.4 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 \$30 million or 19% over last year. Total accumulated depreciation for the year exceeded \$42 million.

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

	Governmental Activities		Total
	2007	2006	Percentage Change
Land	\$ 13.8	\$ 7.0	97.1%
Site Improvements	3.4	0.8	325.0%
Construction in Progress	81.9	105.4	-22.3%
Buildings	81.2	37.9	114.2%
Furniture and Equipment	4.1	3.4	20.6%
Totals	\$ 184.4	\$ 154.5	19.4%

LONG-TERM OBLIGATIONS

At year-end the District had \$99.3 million long-term obligations outstanding - an increase of 42% from last year - as shown in Table A-5.

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

	Governmental Activities		Total
	2007	2006	Percentage Change
General Obligation Bonds	\$ 74.1	\$ 44.8	65.4%
Certificates of Participation	18.4	18.7	-1.6%
Capital Leases Payable	3.2	3.5	-8.6%
Other General Long-Term Debt	2.4	1.8	33.3%
Compensated Absences	1.2	1.2	0.0%
Total	\$ 99.3	\$ 70.0	42%

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2006-07

- The District added \$29.5 million General Obligation Bond payable.
- 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 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 and 2007-08.
- The future costs of Health and Welfare benefits are anticipated to increase. Although the rates for active employees did not increase in 2007-08, the current District Contribution is \$11,360 per employee working more than 4 hours per day, 5 days per week.
- One-time and on-going costs associated with opening the following new schools:
 - Madera South High School
 - Pershing Elementary in 2007-08
 - Parkwood Elementary in 2008-09
 - Third High School 2013-14
- The on-going cost of implementing the Merit System for all Classified Employees
- The on-going cost of funding post employment benefits for retirees per GASB 45.

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.

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2007

	Governmental Activities
ASSETS	
Deposits and investments	\$ 66,864,739
Receivables	12,504,587
Prepaid expenses	1,375,680
Stores inventories	533,975
Nondepreciable capital assets	95,658,734
Depreciable capital assets	130,894,511
Accumulated depreciation	(42,137,444)
Total Assets	265,694,782
LIABILITIES	
Accounts payable	11,426,964
Deferred revenue	937,219
Current portion of long-term obligations	2,093,722
Noncurrent portion of long-term obligations	97,252,338
Total Liabilities	111,710,243
NET ASSETS	
Invested in capital assets, net of related debt	86,506,613
Restricted for:	
Debt service	3,436,496
Capital projects	37,759,079
Educational programs	5,325,823
Other activities	5,846,485
Self-insurance	356,649
Unrestricted	14,753,394
Total Net Assets	\$ 153,984,539

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

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MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 94,826,196	\$ 370,521	\$ 23,569,142	\$ 10,034,900
Instruction-related activities:				
Supervision of instruction	3,324,710	-	2,809,121	-
Instructional library, media and technology	1,227,130	514	664,620	-
School site administration	14,294,770	36,801	3,539,967	-
Pupil services:				
Home-to-school transportation	5,361,467	405,426	3,182,770	-
Food services	7,226,718	1,441,049	5,735,350	-
All other pupil services	6,850,620	4,479	2,073,684	-
General administration:				
Data processing	885,600	-	-	-
All other general administration	5,886,087	72,101	1,346,787	-
Plant services	15,891,341	103,670	1,549,166	-
Ancillary services	2,426,920	5,091	660,840	-
Community services	24,853	-	-	-
Interest on long-term obligations	3,388,881	-	-	-
Other outgo	1,048,721	302,106	1,331,811	-
Total Governmental-Type Activities	\$ 162,664,014	\$ 2,741,758	\$ 46,463,258	\$ 10,034,900
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				
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**

\$ (60,851,633)

(515,589)

(561,996)

(10,718,002)

(1,773,271)

(50,319)

(4,772,457)

(885,600)

(4,467,199)

(14,238,505)

(1,760,989)

(24,853)

(3,388,881)

585,196

(103,424,098)

17,418,503

2,032,563

88,842,387

2,357,551

106,214

8,586,014

119,343,232

15,919,134

138,065,405

\$ 153,984,539

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2007

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 18,489,373	\$ 27,283,624	\$ 6,783,134
Receivables	10,662,922	-	895
Due from other funds	728,713	-	4,745,898
Prepaid expenses	40,845	-	-
Stores inventories	381,159	-	-
Total Assets	<u>\$ 30,303,012</u>	<u>\$ 27,283,624</u>	<u>\$ 11,529,927</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,945,903	\$ -	\$ 774,905
Due to other funds	150,896	4,740,822	2,646,424
Deferred revenue	24,958	-	-
Total Liabilities	<u>10,121,757</u>	<u>4,740,822</u>	<u>3,421,329</u>
FUND BALANCES			
Reserved	5,802,827	-	-
Unreserved:			
Designated	7,396,961	-	-
Undesignated, reported in:			
General Fund	6,981,467	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	22,542,802	8,108,598
Total Fund Balance	<u>20,181,255</u>	<u>22,542,802</u>	<u>8,108,598</u>
Total Liabilities and Fund Balances	<u>\$ 30,303,012</u>	<u>\$ 27,283,624</u>	<u>\$ 11,529,927</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 13,951,960	\$ 66,508,091
1,840,770	12,504,587
2,798,079	8,272,690
-	40,845
152,816	533,975
<u>\$ 18,743,625</u>	<u>\$ 87,860,188</u>

\$ 706,156	\$ 11,426,964
734,548	8,272,690
912,261	937,219
<u>2,352,965</u>	<u>20,636,873</u>
154,231	5,957,058
88,381	7,485,342
-	6,981,467
5,603,873	5,603,873
3,436,496	3,436,496
7,107,679	37,759,079
<u>16,390,660</u>	<u>67,223,315</u>
<u>\$ 18,743,625</u>	<u>\$ 87,860,188</u>

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MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

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

Total Fund Balance - Governmental Funds		\$ 67,223,315
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	\$ 226,553,245	
Accumulated depreciation is	<u>(42,137,444)</u>	
Total capital assets		184,415,801
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis. Unamortized prepaid expenditures relating to debt costs are:		
		1,334,835
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:		
		356,648
Long-term liabilities at year end consist of:		
General obligation bonds	(74,111,606)	
Certificates of participation	(18,355,000)	
State Preschool Loan Program	(459,736)	
Capital lease obligations	(3,222,307)	
Compensated absences	(1,195,299)	
Early retirement incentive obligation	<u>(2,002,112)</u>	
Total long-term liabilities		<u>(99,346,060)</u>
Total Net Assets - Governmental Activities		<u>\$ 153,984,539</u>

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

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 96,901,552	\$ -
Federal sources	11,844,641	-
Other state sources	30,350,209	-
Other local sources	7,335,594	351,255
Total Revenues	146,431,996	351,255
EXPENDITURES		
Current		
Instruction	89,715,268	-
Instruction-related activities:		
Supervision of instruction	3,324,710	-
Instructional library, media and technology	1,217,604	-
School site administration	13,142,282	-
Pupil Services:		
Home-to-school transportation	5,401,639	-
Food services	1,440	-
All other pupil services	6,676,345	-
General administration:		
Data processing	895,886	-
All other general administration	5,329,236	-
Plant services	14,656,825	-
Facility acquisition and construction	95,193	-
Ancillary services	2,472,336	-
Community services	24,853	-
Other outgo	1,048,721	-
Debt service		
Principal	237,716	-
Interest and other	179,758	478,684
Total Expenditures	144,419,812	478,684
Excess (Deficiency) of Revenues Over Expenditures	2,012,184	(127,429)
Other Financing Sources (Uses):		
Transfers in	1,600,459	-
Other sources	-	28,477,223
Transfers out	(2,277,656)	(7,833,950)
Net Financing Sources (Uses)	(677,197)	20,643,273
NET CHANGE IN FUND BALANCES	1,334,987	20,515,844
Fund Balance - Beginning	18,846,268	2,026,958
Fund Balance - Ending	\$ 20,181,255	\$ 22,542,802

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,937,349	\$ 99,838,901
-	6,092,968	17,937,609
10,034,900	3,139,432	43,524,541
658,948	8,936,302	17,282,099
<u>10,693,848</u>	<u>21,106,051</u>	<u>178,583,150</u>
-	3,398,382	93,113,650
-	-	3,324,710
-	9,526	1,227,130
-	1,203,958	14,346,240
-	-	5,401,639
-	7,202,759	7,204,199
-	174,275	6,850,620
-	-	895,886
-	626,996	5,956,232
71,334	1,331,146	16,059,305
27,383,911	3,448,223	30,927,327
-	-	2,472,336
-	-	24,853
-	-	1,048,721
-	-	-
-	1,274,947	1,512,663
-	2,208,047	2,866,489
<u>27,455,245</u>	<u>20,878,259</u>	<u>193,232,000</u>
<u>(16,761,397)</u>	<u>227,792</u>	<u>(14,648,850)</u>
15,530,490	2,902,569	20,033,518
-	1,178,238	29,655,461
-	(10,274,468)	(20,386,074)
<u>15,530,490</u>	<u>(6,193,661)</u>	<u>29,302,905</u>
<u>(1,230,907)</u>	<u>(5,965,869)</u>	<u>14,654,055</u>
<u>9,339,505</u>	<u>22,356,529</u>	<u>52,569,260</u>
<u>\$ 8,108,598</u>	<u>\$ 16,390,660</u>	<u>\$ 67,223,315</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, 2007

Total Net Change in Fund Balances - Governmental Funds \$ 14,654,055
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 capital outlays exceeds depreciation in the period.

Depreciation expense	\$ (2,166,934)	
Capital outlays	<u>32,029,951</u>	29,863,017

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). (285,302)

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	(29,295,461)
Child care facilities revolving loan	(360,000)

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

Cost of issuance	478,684
------------------	---------

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	350,000
General obligation bonds	905,000
Capital lease obligations	237,716
Child care facilities revolving fund	19,947

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

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2007

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of cost of issuance	\$ (78,084)
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.	(923,244)
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.	352,806
Change in Net Assets of Governmental Activities	<u><u>\$ 15,919,134</u></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, 2007

**Governmental
Activities -
Internal
Service Fund**

ASSETS

Current Assets

Deposits and investments

\$ 356,649

Total Current Assets

356,649

Total Assets

356,649

LIABILITIES

Current Liabilities

Due to other funds

-

Total Current Liabilities

-

NET ASSETS

Unrestricted

356,649

Total Net Assets

\$ 356,649

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, 2007

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ -
Total Operating Revenues	-
NONOPERATING REVENUES (EXPENSES)	
Interest income	250
Total Nonoperating Revenues (Expenses)	250
Income (Loss) Before Capital Contributions and Transfers	250
Transfers in	352,556
Change in Net Assets	352,806
Total Net Assets - Beginning	3,843
Total Net Assets - Ending	<u>\$ 356,649</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, 2007

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) other funds	\$ 352,556
Net Cash Provided (Used) from Noncapital Financing Activities	<u>352,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>250</u>
Net Cash Provided (Used) from Investing Activities	<u>250</u>
Net increase in cash and cash equivalents	352,806
Cash and cash equivalents - Beginning	3,843
Cash and cash equivalents - Ending	<u><u>\$ 356,649</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Private- Purpose Trusts	Agency Funds
ASSETS		
Deposits and investments	\$ 144,143	\$ 413,863
Total Assets	<u>144,143</u>	<u>\$ 413,863</u>
LIABILITIES		
Accounts payable		
Due to student groups		
Jefferson	-	12,925
King	-	21,067
La Vina	-	7,794
Washington	-	15,570
Madera High	-	220,787
Ripperdan High	-	3,240
FBLA Allow Card	-	384
Desmond Middle	-	17,081
Mountain Vista High School	-	1,288
Madera South High	-	113,727
Total Liabilities	<u>-</u>	<u>\$ 413,863</u>
NET ASSETS-RESERVED		
Lorraine Thompson Scholarship	53,197	
Student Government Scholarship	2,306	
Albonico Scholarship	9,504	
Ray Pool Scholarship	3,428	
Gomez-Vidal Scholarship	7,457	
Esperanza Scholarship	2,990	
Harwood Memorial Scholarship	172	
K. Roberts Memorial Scholarship	120	
R. Scott Memorial Scholarship	600	
Science & Health Scholarship	391	
E. L. L. Scholarship	3,597	
FCCLA Scholarship	1,646	
Mike Young Scholarship	1,335	
Binger Scholarship	2,072	
J. Desmond Scholarship	120	
FMC Food Tech Scholarship	6,500	
J. Hinton Scholarship	150	
Cadenazzi Roberts Scholarship	10,739	
Berry-Robotics Scholarship	-	
School of Business Scholarship	500	
Marketing/CVELP Scholarship	186	
Joan Davis Scholarship	2,507	
Madera Lions Club	34,626	
Total Net Assets	<u>\$ 144,143</u>	

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, 2007

	Private- Purpose Trust
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 2,215
Albonico Scholarship	537
E. L. L. Scholarship	1,075
Ray Pool Scholarship	20
Gomez-Vidal Scholarship	3,704
FMC Food Tech Scholarship	7,000
Esperanza Scholarship	15
J. Hinton Scholarship	600
Science & Health Scholarship	16
Binger Scholarship	86
Caddenazzi Roberts Scholarship	534
Berry-Robotics Scholarship	-
Mike Young Scholarship	1,335
Joan Davis Scholarship	3,005
Marketing/CVELP Scholarship	186
Madera Lions Club	34,625
Total Additions	54,953
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	1,500
Student Government Scholarship	600
Albonico Scholarship	100
E. L. L. Scholarship	1,975
Ray Pool Scholarship	500
Gomez-Vidal Scholarship	2,247
Marketing/CVELP Scholarship	186
FMC Food Tech Scholarship	7,500
Berry-Robotics	5,000
J. Hinton Scholarship	1,250
Caddenazzi Roberts Scholarship	3,500
Joan Davis Scholarship	500
Total Deductions	24,858
Change in Net Assets	30,095
Net Assets - Beginning	114,048
Net Assets - Ending	\$ 144,143

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 fifteen elementary schools, three middle schools, two comprehensive high schools, three 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, 2007

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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.

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

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

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

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, 2007

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, 2007

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 districts 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 districts as collectible within one year. 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.

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.

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, 2007

Investments

Investments held at June 30, 2007, 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, 2007

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, 2007

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 \$52,724,532 of restricted net assets, of which \$49,284,765 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. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

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, 2007

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, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 66,864,739
Fiduciary funds	558,006
Total Deposits and Investments	<u>\$ 67,422,745</u>

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 477,433
Cash in revolving	56,415
Investments	66,888,897
Total Deposits and Investments	<u>\$ 67,422,745</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, 2007

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, 2007

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
Annuity Guaranteed Investment Contract	\$ 291,644	\$ -	\$ 291,644	\$ -	\$ -
U.S. Agency Money Market Mutual Funds	3,830	3,830	-	-	-
County Pool	66,593,423	66,593,423	-	-	-
Total	<u>\$ 66,888,897</u>	<u>\$ 66,597,253</u>	<u>\$ 291,644</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:					
Annuity Guaranteed Investment Contract	\$ 291,644	N/A	\$ -	\$ -	\$ 291,644
U.S. Agency Money Market Mutual Funds	3,830	N/A	-	-	3,830
County Pool	66,593,423	N/A	-	-	66,593,423
Total	<u>\$ 66,888,897</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,888,897</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, 2007

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, 2007, the District's bank balance of \$355,247 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 contract of \$291,644, the District has a custodial credit risk exposure of \$291,644 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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, 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	\$ 2,343,655	\$ -	\$ 945,040	\$ 3,288,695
State Government				
Apportionment	4,661,337	-	318,066	4,979,403
Categorical aid	2,441,536	-	-	2,441,536
Lottery	309,201	-	-	309,201
Other State	12,630	-	380,547	393,177
Other Local Sources	894,563	895	197,117	1,092,575
Total Fund Statements	<u>\$ 10,662,922</u>	<u>\$ 895</u>	<u>\$ 1,840,770</u>	<u>\$ 12,504,587</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 7,019,434	\$ 6,743,898	\$ -	\$ 13,763,332
Construction in progress	105,414,426	-	23,519,024	81,895,402
Total Capital Assets Not Being Depreciated	112,433,860	6,743,898	23,519,024	95,658,734
Capital Assets being depreciated				
Land improvements	957,471	2,653,287	-	3,610,758
Buildings and improvements	68,761,707	44,893,253	-	113,654,960
Furniture and equipment	12,580,799	1,258,537	210,543	13,628,793
Total Capital Assets Being Depreciated	82,299,977	48,805,077	210,543	130,894,511
Less Accumulated Depreciation				
Land improvements	85,029	67,893	-	152,922
Buildings and improvements	30,962,177	1,551,156	-	32,513,333
Furniture and equipment	9,133,847	547,885	210,543	9,471,189
Total Accumulated Depreciation	40,181,053	2,166,934	210,543	42,137,444
Governmental Activities Capital Assets, Net	\$ 154,552,784	\$53,382,041	\$ 23,519,024	\$ 184,415,801

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 1,695,860
Home-to-school transportation	323,736
Food services	19,548
Data processing	7,597
Plant services	120,193
Total Depreciation Expenses Governmental Activities	\$ 2,166,934

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2007, between major and non-major governmental funds are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 728,713	\$ 150,896
Building	-	4,740,822
County School Facilities	4,745,898	2,646,424
Non-Major Funds	2,798,079	734,548
Total	<u>\$ 8,272,690</u>	<u>\$ 8,272,690</u>

Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

The General Fund transferred to the Adult Fund for Lottery transfer.	\$ 170,767
The General Fund transferred to the Special Reserve - Capital Outlay Fund for MHS completion.	200,000
The General Fund transferred to the Special Reserve-Capital Outlay Fund for capital projects.	537,819
The General Fund transferred to the Deferred Maintenance Fund for the required State match.	724,701
The General Fund transferred to the COP Debt Service Fund for debt service payment.	291,813
The Special Reserve - Other Fund transferred to the General Fund for new school related costs.	350,000
The Building Fund transferred to the County School Facilities Fund for building projects.	7,833,950
The Special Reserve - Other Fund transferred to the General Fund for the mandated cost audit adjustment.	1,185,050
The Builders/Developers Fee Fund transferred to the COP Debt Service Fund for new school related expenses.	977,569
The Builders/Developers Fee Fund transferred to the General Fund three percent of the developer fees collected.	65,409
The Builders/Developers Fee Fund transferred to the County School Facilities Fund for the completion of the construction projects.	7,696,440
The General Fund transferred to the Self Insurance Fund to reimburse for expenditures.	352,556
Total	<u>\$20,386,074</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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.

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2007, consisted of the following:

	General Fund	Total
Supplies	\$ 40,845	\$ 40,845
Prepaid debt issuance costs		1,334,835
Total prepaid expenses on government-wide statements		\$ 1,375,680

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,509,421	\$ 774,905	\$ 436,840	\$ 2,721,166
Accrued payroll	1,493,772	-	121,258	1,615,030
Deferred payroll	3,709,755	-	148,058	3,857,813
Benefits pass through	3,232,955	-	-	3,232,955
Total	\$ 9,945,903	\$ 774,905	\$ 706,156	11,426,964

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2007, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 11,948	\$ 359,983	\$ 371,931
State categorical aid	13,010	551,021	564,031
Other local	-	1,257	1,257
Total	<u>\$ 24,958</u>	<u>\$ 912,261</u>	<u>\$ 937,219</u>

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES

At July 1, 2006, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$2,755,000, which matured on July 6, 2006.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2006	Additions	Payments	Outstanding June 30, 2007
July 6, 2005	2.60%	July 6, 2006	<u>\$2,755,000</u>	<u>\$ -</u>	<u>\$2,755,000</u>	<u>\$ -</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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, 2006	Additions	Deductions	Balance June 30, 2007	Due in One Year
General obligation bonds-2003	\$14,110,000	\$ -	\$ 280,000	\$13,830,000	\$ 335,000
General obligation bonds-2005					
Current Interest Bonds	12,670,000	-	625,000	12,045,000	360,000
Capital Appreciation Bonds	14,183,601	687,845	-	14,871,446	-
General obligation bonds-2006					
Current Interest Bonds	1,915,000	-	-	1,915,000	15,000
Capital Appreciation Bonds	1,919,300	93,550	-	2,012,850	-
General obligation bonds-2007					
Current Interest Bonds	-	18,690,000	-	18,690,000	-
Capital Appreciation Bonds	-	9,450,688	-	9,450,688	-
Premium	-	1,296,622	-	1,296,622	51,865
State Preschool Revolving Loan	119,683	360,000	19,947	459,736	55,947
Certificates of participation-1992	545,000	-	265,000	280,000	280,000
Certificates of participation-2004	18,160,000	-	85,000	18,075,000	90,000
Accumulated vacation - net	1,151,570	43,729	-	1,195,299	
Early retirement programs	1,760,539	897,400	655,827	2,002,112	655,827
Capital leases	3,460,023	-	237,716	3,222,307	250,083
Total	<u>\$69,994,714</u>	<u>\$31,519,834</u>	<u>\$2,168,490</u>	<u>\$99,346,060</u>	<u>\$2,093,722</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2006	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2007
2002, Series 2003 General Obligation Bonds:							
8/1/2003	8/04-8/28	1-4.90%	\$ 16,200,000	\$ 14,110,000	\$ -	\$ 280,000	\$ 13,830,000
2002, Series 2005 General Obligation Bonds:							
Current Interest Bonds							
5/1/05	8/06-8/17	3-5%	12,670,000	12,670,000	-	625,000	12,045,000
Capital Appreciation Bonds							
5/1/05	8/18-8/29	4.77-5.23%	13,329,104	14,183,601	687,845	-	14,871,446
2002, Series 2006 General Obligation Bonds							
Current Interest Bonds							
3/1/06	8/1/2017	3.75-4%	1,915,000	1,915,000	-	-	1,915,000
Capital Appreciation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	1,919,300	93,550	-	2,012,850
2002, Series 2007 General Obligation Bonds							
Current Interest Bonds							
3/1/07	8/07-8/23	4-5%	18,690,000	-	18,690,000	-	18,690,000
Capital Appreciation Bonds							
3/1/07	8/24-8/32	4.41-4.52%	9,308,839	-	9,450,688	-	9,450,688
Total				<u>\$ 44,797,901</u>	<u>\$ 28,922,083</u>	<u>\$ 905,000</u>	<u>\$ 72,814,984</u>

Debt Service Requirements to Maturity

2002, Series 2003 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 335,000	\$ 666,966	\$ 1,001,966
2009	45,000	659,366	704,366
2010	80,000	656,866	736,866
2011	115,000	652,966	767,966
2012	155,000	647,566	802,566
2013-2017	1,470,000	3,088,850	4,558,850
2018-2022	3,070,000	2,581,816	5,651,816
2023-2027	5,475,000	1,518,369	6,993,369
2028-2029	3,085,000	157,875	3,242,875
Total	<u>\$ 13,830,000</u>	<u>\$ 10,630,640</u>	<u>\$ 24,460,640</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

2002, Series 2005 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 360,000	\$ 536,150	\$ 896,150
2009	710,000	520,100	1,230,100
2010	785,000	495,713	1,280,713
2011	870,000	466,751	1,336,751
2012	965,000	434,638	1,399,638
2013-2017	6,600,000	1,331,250	7,931,250
2018	1,755,000	43,875	1,798,875
Total	<u>\$ 12,045,000</u>	<u>\$ 3,828,477</u>	<u>\$ 15,873,477</u>

2002, Series 2006 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 15,000	\$ 107,114	\$ 122,114
2009	100,000	75,010	175,010
2010	110,000	71,010	181,010
2011	125,000	66,610	191,610
2012	140,000	61,610	201,610
2013-2017	925,000	212,850	1,137,850
2018-2019	500,000	29,020	529,020
Total	<u>\$ 1,915,000</u>	<u>\$ 623,224</u>	<u>\$ 2,538,224</u>

2002, Series 2007 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ -	\$ 362,911	\$ 362,911
2009	440,000	870,988	1,310,988
2010	420,000	853,388	1,273,388
2011	535,000	836,588	1,371,588
2012	615,000	815,188	1,430,188
2013-2017	4,520,000	3,633,140	8,153,140
2018-2022	7,790,000	2,331,088	10,121,088
2023-2024	4,370,000	333,000	4,703,000
Total	<u>\$ 18,690,000</u>	<u>\$ 10,036,291</u>	<u>\$ 28,726,291</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

2002, 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.

Fiscal Year	2002, Series 2005		2002, Series 2006		2002, Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019	\$ 1,925,000	\$ 1,146,145	\$ 280,000	\$ 166,488	\$ -	\$ -
2020	2,015,000	1,136,460	295,000	167,088	-	-
2021	2,100,000	1,122,240	305,000	164,944	-	-
2022	2,200,000	1,112,320	325,000	167,180	-	-
2023	2,300,000	1,099,860	335,000	164,351	-	-
2024	2,400,000	1,083,840	350,000	163,450	-	-
2025	2,510,000	1,069,762	365,000	162,425	2,510,000	1,195,764
2026	2,625,000	1,054,725	385,000	162,855	2,620,000	1,190,528
2027	2,740,000	1,042,844	405,000	162,810	2,735,000	1,185,349
2028	2,865,000	1,031,973	425,000	162,520	2,855,000	1,179,115
2029	2,995,000	1,018,899	675,000	179,955	2,985,000	1,174,896
2030	4,650,000	1,493,580	760,000	188,784	3,115,000	1,169,994
2031	4,805,000	1,458,798	-	-	3,255,000	1,166,592
2032	-	-	-	-	3,475,000	1,188,450
Total	<u>\$36,130,000</u>	<u>\$ 14,871,446</u>	<u>\$ 4,905,000</u>	<u>\$ 2,012,850</u>	<u>\$23,550,000</u>	<u>\$ 9,450,688</u>

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
2008	\$ 55,947
2009	55,947
2010	55,947
2011	55,947
2012	55,948
2013-2017	180,000
Total	<u>\$ 459,736</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007, the principal balance outstanding was \$280,000.

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, 2007, the principal balance outstanding was \$18,075,000.

Series	Issue Date	Amount Issued	Interest Rates	Balance Beginning of Year	Principal Paid Defeased-Current Year	Outstanding End of Year
1992	12/1/1992	\$ 6,995,000	3.55-6.00%	\$ 545,000	\$ 265,000	\$ 280,000
2004	5/14/2004	18,240,000	3.50-5.35%	18,160,000	85,000	18,075,000
Total				<u>\$ 18,705,000</u>	<u>\$ 350,000</u>	<u>\$ 18,355,000</u>

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	420,000	852,319	1,272,319
2013-2017	2,395,000	3,965,327	6,360,327
2018-2022	3,055,000	3,313,315	6,368,315
2023-2027	3,890,000	2,470,314	6,360,314
2028-2032	4,975,000	1,391,283	6,366,283
2033-2034	2,360,000	182,963	2,542,963
Total	<u>\$ 18,355,000</u>	<u>\$ 15,716,472</u>	<u>\$ 34,071,472</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$1,195,299.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 \$2,002,112 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$655,827.

Capital Leases

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

	Leases
Balance, July 1, 2006	\$ 3,460,023
Payments	237,716
Balance, June 30, 2007	<u>\$ 3,222,307</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2008	\$ 409,737
2009	409,737
2010	409,737
2011	409,737
2012	409,737
2013	409,737
2014-2018	1,686,762
Total	<u>4,145,184</u>
Less: Amount Representing Interest	922,877
Present Value of Minimum Lease Payments	<u>\$ 3,222,307</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 11 - FUND BALANCES

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 55,000	\$ -	\$ -	\$ 1,415	\$ 56,415
Stores inventory	381,159	-	-	152,816	533,975
Prepaid expenditures	40,845	-	-	-	40,845
Restricted programs	5,325,823	-	-	-	5,325,823
Total Reserved	5,802,827	-	-	154,231	5,957,058
Unreserved					
Designated					
Economic uncertainties	4,311,691	-	-	-	4,311,691
Other designation	3,085,270	-	-	88,381	3,173,651
Total Designated	7,396,961	-	-	88,381	7,485,342
Undesignated	6,981,467	22,542,802	8,108,598	16,148,048	53,780,915
Total Unreserved	14,378,428	22,542,802	8,108,598	16,236,429	61,266,257
Total	\$20,181,255	\$22,542,802	\$ 8,108,598	\$ 16,390,660	\$ 67,223,315

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2007, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria			
Books and supplies	\$ 3,706,968	\$ 3,825,051	\$ 118,083
Other services and operations	\$ 337,078	\$ 352,894	\$ 15,816
Direct/indirect support costs	\$ 345,329	\$ 363,529	\$ 18,200

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 144 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 \$1,320,788 were recognized for retirees' health care benefits.

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 2007, 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).

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 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, 2007, 2006, and 2005, were \$5,567,007, \$4,932,912, and \$4,645,801, 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 2006-2007 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, 2007, 2006, and 2005, were \$1,721,184, \$1,491,482, and \$1,451,306, respectively, and equal 100 percent of the required contributions for each year.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Social Security

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

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$2,974,433 (4.52 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2007. 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, 2007.

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, 2007.

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, 2007

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Mt. Vista Refurbishment	\$ 1,609,437	2008-09
Future High School	100,175,603	2013-14
Parkwood Elementary School	22,340,885	2008-09
Dixieland Paint Specs	50,000	2007-08
Pershing Elementary School	2,269,616	2007-08
MHS - Transition Phase Modernization	50,000	2007-08
Total	<u>\$ 126,495,541</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.

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

During the year ended June 30, 2007, the District made payment of \$2,742,526 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2007, the District made payment of \$20,360,835 to CVT for health and welfare benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variances -
	(GAAP Basis)		Actual ¹	Favorable
	Original	Final	(GAAP Basis)	(Unfavorable)
				Final
				to Actual
REVENUES				
Revenue limit sources	\$95,232,900	\$96,901,552	\$ 96,901,552	\$ -
Federal sources	11,186,096	13,289,926	11,844,641	(1,445,285)
Other state sources	21,070,146	27,390,551	27,375,776	(14,775)
Other local sources	5,871,929	8,021,335	7,335,594	(685,741)
Total Revenues	133,361,071	145,603,364	143,457,563	(2,145,801)
EXPENDITURES				
Current				
Certificated Salaries	60,815,852	68,302,277	67,145,360	1,156,917
Classified salaries	17,560,796	19,621,142	19,291,242	329,900
Employee benefits	30,621,875	31,452,966	30,535,850	917,116
Books and supplies	11,108,856	18,041,766	12,303,679	5,738,087
Services and operating expenditures	7,822,221	12,947,924	10,095,667	2,852,257
Other outgo	322,724	501,055	477,872	23,183
Capital outlay	124,768	1,406,225	1,185,973	220,252
Debt service	409,737	409,736	409,736	-
Total Expenditures	128,786,829	152,683,091	141,445,379	11,237,712
Excess (Deficiency) of Revenues				
Over Expenditures	4,574,242	(7,079,727)	2,012,184	9,091,911
Other Financing Sources (Uses):				
Transfers in	88,500	1,600,459	1,600,459	-
Transfers out	(1,990,069)	(2,277,656)	(2,277,656)	-
Other uses	(6,100)	(9,335)	-	9,335
Net Financing Sources (Uses)	(1,907,669)	(686,532)	(677,197)	9,335
NET CHANGE IN FUND BALANCES	2,666,573	(7,766,259)	1,334,987	9,101,246
Fund Balance - Beginning	18,846,268	18,846,268	18,846,268	-
Fund Balance - Ending	\$21,512,841	\$ 11,080,009	\$ 20,181,255	\$ 9,101,246

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, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Nutrition Grant	02-25549	N/A	\$ 222,900
Passed through California Department of Education (CDE):			
Adult Education			
Basic	84.002	14508	101,025
Secondary Education	84.002	13978	20,700
Institutionalized Adults	84.002	13971	7,500
English, Literature & Civics	84.002A	14109	59,954
No Child Left Behind			
Title I - Basic	84.010	14329	7,369,660
Title I - Part C, Migrant	84.011	13628	101,040
Title I - Program Improvement	84.010A	14581	210,400
Title II - Part A, Teacher Quality	84.367	14341	1,000,356
Title II - Part A, Principal Training	84.367	14344	6,300
Title II - Part D, Enhancing Education - Tech	84.318	14335	242,970
Title II - Part D, Enhancing Education- Competitive	84.318	14368	70,125
Title III - Immigrant Education Program	84.365	14346	25,360
Title III - LEP	84.365	10084	745,229
Title V - Innovative Education Strategies	84.298A	14354	90,295
Title IV- Drug Free Schools	84.186	14347	183,403
Special Education - State Grants			
IDEA Basic	84.027	13379	1,153,154
Vocational Educational Grants			
Adult Education	84.048	13924	212,023
Secondary Education	84.048	13923	67,851
Total U.S. Department of Education			<u>11,890,245</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Commodities	10.553	13389	468,829
National School Lunch	10.555	03755	4,498,463
Meals Supplements - Snack	10.555	13755	80,236
National School Breakfast	10.553	03157	1,106,203
Total U.S. Department of Agriculture			<u>6,153,731</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal	93.778	10013	59,722
School Age Child Care Resource Program	93.575	13979	13,179
School Age Child Care Resource Program	93.575	13942	2,692
Medi-Cal Administrative Activities	93.778	10060	151,704
Total U.S. Department of Health and Human Services			<u>227,297</u>
Total Expenditures of Federal Awards			<u>\$18,271,273</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2007

ORGANIZATION

The Madera Unified School District was established in 1966 and consists of an area comprising approximately 400 square miles. The District operates fifteen elementary schools, three middle schools, two comprehensive high schools, two alternative education schools, and one adult education school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
J. Gary Adams	President	2008
Ray G. Seibert	Clerk	2008
Carles Beckett	Trustee	2010
Robert E. Garibay	Trustee	2008
Dr. Loraine Goodwin	Trustee	2010
Philip D. Janzen	Trustee	2010
Michael H. Westley	Trustee	2010

ADMINISTRATION

Larry N. Risinger	Superintendent
Amparo DeAnda	Associate Superintendent, Educational Services
Kelly Porterfield	Associate Superintendent, Business and Operations
Robert Chavez	Chief Academic Officer, K-12
John Stafford	Chief Academic Officer, K-12
Jake Bragonier	Public Information Officer

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2007

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,458	1,487
First through third	4,271	4,298
Fourth through sixth	3,991	3,977
Seventh and eighth	2,521	2,553
Home and hospital	2	2
Special education	296	300
Total Elementary	12,539	12,617
SECONDARY		
Regular classes	4,147	4,127
Continuation education	300	298
Opportunity schools	11	11
Home and hospital	5	5
Special education	223	218
Total Secondary	4,686	4,659
Total K-12	17,225	17,276
CLASSES FOR ADULTS		
Concurrently enrolled	20	24
Not concurrently enrolled	1,110	1,147
Adults in correctional facilities	6	7
Total Classes for Adults	1,136	1,178
Grand Total	18,361	18,454
		Hours of Attendance
SUPPLEMENTAL HOURS		
K-12 Core instruction		68,834
7-12 Remedial instruction		152,325
Grades 2-9 Pupils retained/recommended for retention		5,872
Grades 2-6 Pupils at Risk of Retention		32,885
Total Hours		259,916

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2007

Grade Level	1982-83	1986-87	2006-07	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	29,205	36,000	36,900	180	176	Complied
Grades 1 - 3						
Grade 1	40,710	50,400	55,150	180	176	Complied
Grade 2	40,710	50,400	55,150	180	176	Complied
Grade 3	40,710	50,400	55,150	180	176	Complied
Grades 4 - 8						
Grade 4	42,480	54,000	55,160	180	176	Complied
Grade 5	42,480	54,000	55,160	180	176	Complied
Grade 6	42,480	54,000	55,160	180	176	Complied
Grade 7	42,480	54,000	55,160	180	176	Complied
Grade 8	42,480	54,000	55,160	180	176	Complied
Grades 9 - 12						
Grade 9	58,608	64,800	65,355	180	N/A	Complied
Grade 10	58,608	64,800	65,355	180	N/A	Complied
Grade 11	58,608	64,800	65,355	180	N/A	Complied
Grade 12	58,608	64,800	65,355	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, 2007

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

	<u>Cafeteria</u>
FUND BALANCE	
Balance, June 30, 2007, Unaudited Actuals	\$ 944,513
Increase in:	
Accounts Receivable	<u>135,165</u>
Balance, June 30, 2007, Audited Financial Statement	<u><u>\$ 1,079,678</u></u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

	(Budget) 2008 ¹	2007 ⁴	2006 ⁴	2005 ⁴
GENERAL FUND				
Revenues and other sources	\$143,607,213	\$145,058,022	\$133,908,304	\$120,814,259
Expenditures ⁴	138,443,728	141,445,379	129,146,021	116,253,533
Other uses and transfers out	1,780,719	2,277,656	1,760,422	1,664,425
Total Expenditures and Other Uses	140,224,447	143,723,035	130,906,443	117,917,958
INCREASE/(DECREASE) IN FUND BALANCE	\$ 3,382,766	\$ 1,334,987	\$ 3,001,861	\$ 2,896,301
ENDING FUND BALANCE	\$ 23,564,021	\$ 20,181,255	\$ 18,846,268	\$ 15,844,407
AVAILABLE RESERVES ²	\$ 14,405,328	\$ 12,718,653	\$ 10,218,097	\$ 11,800,717
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.3%	8.8%	7.8%	10.0%
LONG-TERM OBLIGATIONS	Not Available	\$ 99,346,060	\$ 69,994,714	\$ 67,939,360
AVERAGE DAILY ATTENDANCE AT P-2 ³	17,591	17,225	16,711	16,580

The General Fund balance has increased by \$4,336,848 over the past two years. The fiscal year 2007-08 budget projects an increase of \$3,382,766 (17 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in all of the past three years and anticipates incurring an operating surplus during the 2007-08 fiscal year. Total long-term obligations have increased by \$31,406,700 over the past two years, primarily due to the issuance of new bonds and certificates of participation.

Average daily attendance has increased by 645 over the past two years. Additional growth of 366 ADA is anticipated during fiscal year 2007-08.

¹ Budget 2008 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.

MADERA UNIFIED SCHOOL DISTRICT

EXCESS SICK LEAVE JUNE 30, 2007

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Madera Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2007

Name of Charter School	Included in Audit Report
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, 2007

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.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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.

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

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.

SUPPLEMENTARY INFORMATION - UNAUDITED

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MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2007

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 1,122,751	\$ 619,207	\$ 426,642	\$ 2,334,984
Receivables	475,681	266,381	1,098,708	-
Due from other funds	28,636	366	18,940	39,500
Stores inventories	-	-	152,816	-
Total Assets	<u>\$ 1,627,068</u>	<u>\$ 885,954</u>	<u>\$ 1,697,106</u>	<u>\$ 2,374,484</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 187,236	\$ 74,240	\$ 199,356	\$ 57,506
Due to other funds	179,409	101,315	418,072	34,227
Deferred revenue	357,933	554,328	-	-
Total Liabilities	<u>724,578</u>	<u>729,883</u>	<u>617,428</u>	<u>91,733</u>
Fund Balances:				
Reserved for:				
Revolving cash	-	-	1,415	-
Stores inventories	-	-	152,816	-
Unreserved:				
Designated	7,164	-	81,217	-
Undesignated, reported in:				
Special revenue funds	895,326	156,071	844,230	2,282,751
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balances	<u>902,490</u>	<u>156,071</u>	<u>1,079,678</u>	<u>2,282,751</u>
Total Liabilities and Fund Balances	<u>\$ 1,627,068</u>	<u>\$ 885,954</u>	<u>\$ 1,697,106</u>	<u>\$ 2,374,484</u>

See accompanying note to supplementary information - unaudited.

Special Reserve Non-Capital Fund	Capital Facilities Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ 1,425,495	\$ 2,451,266	\$ 2,135,119	\$ 2,569,710	\$ 866,786	\$ 13,951,960
-	-	-	-	-	1,840,770
-	2,710,637	-	-	-	2,798,079
-	-	-	-	-	152,816
<u>\$ 1,425,495</u>	<u>\$ 5,161,903</u>	<u>\$ 2,135,119</u>	<u>\$ 2,569,710</u>	<u>\$ 866,786</u>	<u>\$ 18,743,625</u>
\$ -	\$ 66,980	\$ 120,838	\$ -	\$ -	\$ 706,156
-	1,516	9	-	-	734,548
-	-	-	-	-	912,261
<u>-</u>	<u>68,496</u>	<u>120,847</u>	<u>-</u>	<u>-</u>	<u>2,352,965</u>
-	-	-	-	-	1,415
-	-	-	-	-	152,816
-	-	-	-	-	88,381
1,425,495	-	-	-	-	5,603,873
-	-	-	2,569,710	866,786	3,436,496
-	5,093,407	2,014,272	-	-	7,107,679
<u>1,425,495</u>	<u>5,093,407</u>	<u>2,014,272</u>	<u>2,569,710</u>	<u>866,786</u>	<u>16,390,660</u>
<u>\$ 1,425,495</u>	<u>\$ 5,161,903</u>	<u>\$ 2,135,119</u>	<u>\$ 2,569,710</u>	<u>\$ 866,786</u>	<u>\$ 18,743,625</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, 2007

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Revenue limit sources	\$ 2,937,349	\$ -	\$ -
Federal sources	257,030	15,871	5,820,067
Other state sources	191,526	1,644,974	563,690
Other local sources	216,755	51,359	1,670,663
Total Revenues	3,602,660	1,712,204	8,054,420
EXPENDITURES			
Current			
Instruction	2,208,269	1,190,113	-
Instruction-related activities:			
Instructional library, media and technology	9,526	-	-
School site administration	1,019,472	184,486	-
Pupil Services:			
Food services	-	30,905	7,171,854
All other pupil services	152,004	22,271	-
General administration:			
All other general administration	134,866	67,432	334,828
Plant services	131,448	228,747	439,042
Facility acquisition and construction	-	302,719	2,155
Debt service			
Principal	-	19,947	-
Interest and other	-	-	-
Total Expenditures	3,655,585	2,046,620	7,947,879
Excess (Deficiency) of Revenues Over Expenditures	(52,925)	(334,416)	106,541
Other Financing Sources (Uses):			
Transfers in	170,767	-	-
Other sources	-	360,000	-
Transfers out	-	-	-
Net Financing Sources (Uses)	170,767	360,000	-
NET CHANGE IN FUND BALANCES	117,842	25,584	106,541
Fund Balance - Beginning	784,648	130,487	973,137
Fund Balance - Ending	\$ 902,490	\$ 156,071	\$ 1,079,678

See accompanying note to supplementary information - unaudited.

Deferred Maintenance Fund	Special Reserve Non-Capital Fund	Capital Facilities Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
709,337	-	-	-	29,905	-
93,080	90,265	4,594,009	107,152	2,088,793	24,226
802,417	90,265	4,594,009	107,152	2,118,698	24,226
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	89,870	-	-	-
277,825	-	253,664	420	-	-
776,156	-	771,640	1,595,553	-	-
-	-	-	-	905,000	350,000
-	-	-	-	1,299,499	908,548
1,053,981	-	1,115,174	1,595,973	2,204,499	1,258,548
(251,564)	90,265	3,478,835	(1,488,821)	(85,801)	(1,234,322)
724,701	-	-	737,719	-	1,269,382
-	-	-	-	818,238	-
-	(1,535,050)	(8,739,518)	100	-	-
724,701	(1,535,050)	(8,739,518)	737,819	818,238	1,269,382
473,137	(1,444,785)	(5,260,683)	(751,002)	732,437	35,060
1,809,614	2,870,280	10,354,090	2,765,274	1,837,273	831,726
\$ 2,282,751	\$ 1,425,495	\$ 5,093,407	\$ 2,014,272	\$ 2,569,710	\$ 866,786

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, 2007

	Total Non-Major Governmental Funds
REVENUES	
Revenue limit sources	\$ 2,937,349
Federal sources	6,092,968
Other state sources	3,139,432
Other local sources	8,936,302
Total Revenues	<u>21,106,051</u>
EXPENDITURES	
Current	
Instruction	3,398,382
Instruction-related activities:	
Instructional library, media and technology	9,526
School site administration	1,203,958
Pupil Services:	
Food services	7,202,759
All other pupil services	174,275
General administration:	
All other general administration	626,996
Plant services	1,331,146
Facility acquisition and construction	3,448,223
Debt service	
Principal	1,274,947
Interest and other	2,208,047
Total Expenditures	<u>20,878,259</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>227,792</u>
Other Financing Sources (Uses):	
Transfers in	2,902,569
Other sources	1,178,238
Transfers out	(10,274,468)
Net Financing Sources (Uses)	<u>(6,193,661)</u>
NET CHANGE IN FUND BALANCES	<u>(5,965,869)</u>
Fund Balance - Beginning	22,356,529
Fund Balance - Ending	<u><u>\$ 16,390,660</u></u>

See accompanying note to supplementary information - unaudited.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2007

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***

Governing Board
Madera Unified School District
Madera, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2007, which collectively comprise Madera Unified School District's basic financial statements and have issued our report thereon dated November 9, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madera Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Madera Unified School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of State Awards Findings and Questioned Costs as items 2007-1 through 2007-3.

Madera Unified School District's response to the findings identified in our audit are described in the accompanying schedule of State Awards Findings and Questioned Costs. We did not audit Madera Unified School District's response and, accordingly, express no opinion on them.

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, Uhline, Day & Co., LLP

Fresno, California
November 9, 2007



**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**

Governing Board
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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Madera Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information and use of the 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, Utine, Day & Co., LLP

Fresno, California
November 9, 2007



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Madera Unified School District
Madera, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. 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 2006-07*, 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	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	No (see below)
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
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	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
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Community Day Schools because the ADA was below the testing threshold recommended by the State Controller's Office.

Based on our audit, we found that for the items tested, the Madera Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. 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, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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>
Significant deficiencies 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>10.553, 10.555</u>	<u>Department of Agriculture Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 548,138</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

MADERA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

There were no findings representing significant deficiencies, 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, 2007

There were no findings representing significant deficiencies, 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, 2007

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance
71000	Teacher Misassignments

2007-1 40000

Morgan Hart Class Size Reduction

Finding

During our audit of the District's participation in the Morgan Hart Ninth Grade Class Size Reduction program, we found that the District made an error in reporting the number of pupils that participated in the program during the year. The program provides incentive funding for Districts that reduce the average enrollment of students in ninth grade classes. The error on the form J-9 MH-A understated the average number of students in ninth grade by 45 students. The errors were caused by rounding mistakes made when determining class size averages. The understatement of 45 students, multiplied by the rate of \$204 per average student, yields an understatement of program apportionment in the amount of \$9,180.

Recommendation

The District should revise their Form J-9 MH-A to the corrected amount and submit it to all applicable parties, including the external auditors.

District Response

The District has revised the Form J-9 MH-A and has submitted to all applicable agencies including the external auditors.

2007-2 40000

K-3 Class Size Reduction

Finding

The K-3 Class Size Reduction program provides incentive funding for Districts that reduce the average enrollment of students in kindergarten through third grade classes. During our audit of the District's participation in the program, we found that the District made errors in reporting the number of pupils that participated in the program during the year. The errors on the form J-7 CSR Report understated the average number of students in Kindergarten-Option One. The errors were caused by rounding mistakes made when determining class size averages and the wrong number of days used as a divisor. The understatement for Option One students of two, multiplied by the rate of \$1,024 per average student, yields an understatement of program apportionment in the amount of \$2,048.

MADERA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Recommendation

The District should revise their J-7 CSR form to the corrected amounts and submit it to the Department of Education and to the external auditors for verification.

District Response

The District submitted the corrected form J-7 CSR to the State before the end of June 2007.

2007-3 71000

Teacher Credentials

Finding

During our attendance audit at Madison Elementary School, one teacher sampled did not have a credential that allowed her to teach limited-English proficient students, even though more than 20 percent of the students were English-Limited.

Recommendation

The District should continue to work towards ensuring that all teachers who are required to have a credential or certificate qualifying them to teach limited-English proficient pupils obtain such a credential or certification.

District Response

The teacher is in the process of getting her ELL certificate. Human Resources continues to work with the employees who do not have their ELL certificate to complete the necessary work immediately.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

There were no prior year findings representing significant deficiencies, material weaknesses, nor instances of noncompliance related to the financial statements that were required to be reported in accordance with generally accepted government audit standards.