

**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

MADERA UNIFIED SCHOOL DISTRICT
OF MADERA COUNTY
MADERA, CALIFORNIA
JUNE 30, 2008

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Michael H. Westley	Clerk	2010
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John Stafford	Chief Academic Officer, K-12
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MADERA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Madera Unified School District
Madera, California

We have audited the accompanying financial statements of the governmental activities, 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, 2008, 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 2007-08* 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, 2008, 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 December 1, 2008, 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.

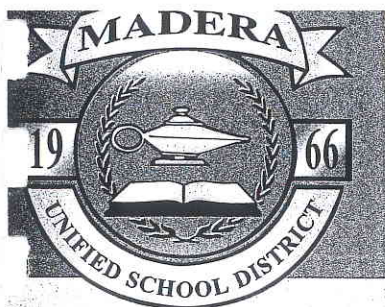
The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 56, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted 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.

Vautour, Irvine, Day & Co, LLP

Fresno, California
December 1, 2008



MADERA UNIFIED SCHOOL DISTRICT

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2007-08

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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, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

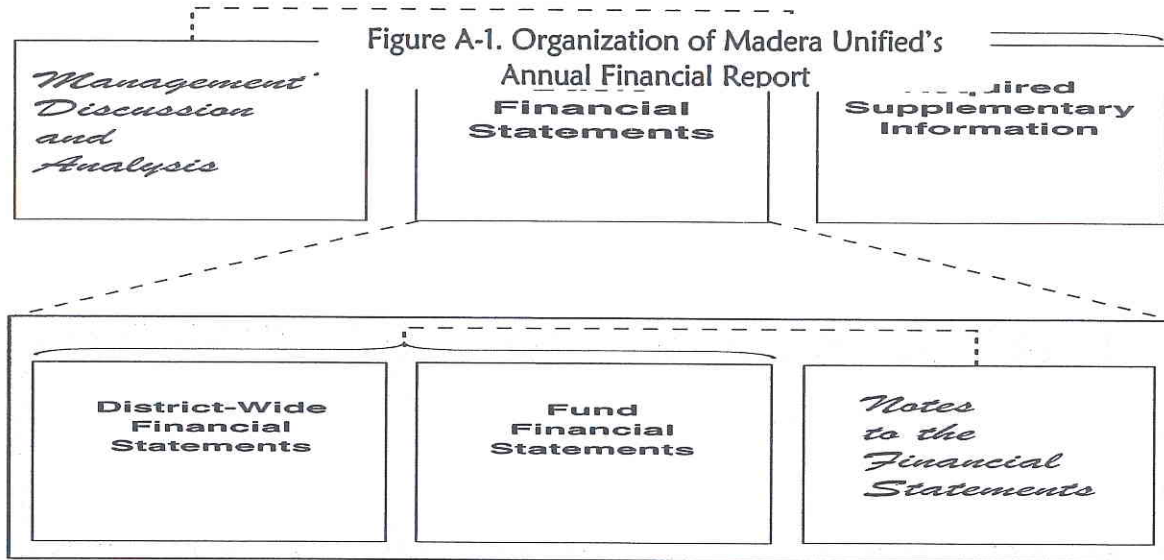
This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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 2007-08



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	Fund Statements		
	District-wide	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 2007-08

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 fund types:

- 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 2007-08

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 2007-08 year were \$122.6 million.
- Overall revenues were \$184.6 million, approximately \$12.1 million more than expenses.
- The District's net capital assets increased from \$184.4 million to \$199.4 million; 8.1% increase over prior year. This was due to the completion of construction projects at Madera High South New Construction, Pershing Elementary, Madera High Stadium Lighting Project, Nishimoto Portable Project, Painting at Dixieland, Eastin Arcola, Millview, and Ripperdan Schools.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were significantly larger on June 30, 2008, than they were the year before, increasing more than 7.9% percent to \$166.1 million. (see Table A-1.) This improvement in the District's financial position came from its governmental activities, the net assets of which grew \$12.1 million.

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

	Governmental Activities		
	2008	2007	Change
Current and Other Assets	\$ 80.0	\$ 81.3	\$ (1.3)
Capital Assets	199.4	184.4	15.0
Total Assets	279.4	265.7	13.7
Long-Term Obligations Outstanding	99.5	99.4	0.1
Other Liabilities	13.8	12.3	1.5
Total Liabilities	113.3	111.7	1.6
Invested in Capital Assets, net of related debt	103.4	86.5	16.9
Restricted	49.4	52.7	(3.3)
Unrestricted	13.3	14.8	(1.5)
Total Net Assets	\$ 166.1	\$ 154.0	\$ 12.1

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2007-08

Changes in net assets. The District's total governmental revenues were \$184.6 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 \$93.2 million and property taxes contributing about \$23.1 million. Another \$57.5 million came from categorical programs and capital grants, \$3.0 million came from fees charged for services, and \$7.8 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$172.5 million. The District's expenses are predominantly related to educating and caring for students (69.6%). The purely administrative activities of the District accounted for just 4.4% of total costs. Maintenance, operations, facility acquisition and construction expenses account for 9.9% of the District's expenses.

Total revenues surpassed expenses, increasing net assets \$12.1 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		
	2008	2007	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 93.2	\$ 88.8	\$ 4.4
Property Taxes	23.1	19.4	3.7
Other	7.8	11.2	(3.4)
Program Revenues:			
Charges for Services	3.0	2.7	0.3
Categorical Revenues and Capital Grants	57.5	56.5	1.0
Total Revenues	<u>184.6</u>	<u>178.6</u>	<u>6.0</u>
Expenses:			
Instruction Related	120.0	113.6	6.4
Pupil Services	20.7	19.5	1.2
General Administration	7.6	6.8	0.8
Plant Services	17.0	15.9	1.1
Other	7.2	6.9	0.3
Total Expenses	<u>172.5</u>	<u>162.7</u>	<u>9.8</u>
Increase (Decrease) in Net Assets	<u><u>\$ 12.1</u></u>	<u><u>\$ 15.9</u></u>	<u><u>\$ (3.8)</u></u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2007-08

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 2.0% higher than 2006-07, and funding for new restricted programs were added to the 2007-08 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 2008-09 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 \$15.0 million due to the construction projects completed and currently in progress.

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	
	2008	2007	2008	2007
Instruction	120.0	113.7	\$ 80.0	\$ 72.7
Student Transportation	5.6	5.4	1.0	1.8
Food Services	7.7	7.2	(0.2)	-
All Other Pupil Services	7.4	6.9	5.1	4.8
General Administration	7.6	6.8	6.8	5.4
Plant Services	17.0	15.9	15.2	14.2
Other	7.2	6.8	4.1	4.5
Total	\$ 172.5	\$ 162.7	\$ 112.0	\$ 103.4

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 \$64.5 million; this is \$2.7 million lower than last year since only current assets are reported in the governmental funds.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2007-08

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Net increases in both revenue and expense for federal, state and local grant awards.
- \$2.0 million increase in Revenue Limit due to increased ADA and the funded COLA.
- Federal, State, and Local revenues were \$2.0 million lower than the adopted budget due to the decreases in federal, state and local grant awards and entitlements and prior year revenues received.
- Actual expenditures were \$11.9 million below adopted budget mainly due to the decreases in federal, state and local grant awards and entitlements and prior year retroactive salary increases paid.
- The State Budget deficit and the impact this will have on funding for education in future years.
- The State's ability to meet the cash flow obligations.
- The outcome of District's negotiations with the various unions cannot be predicted.
- The future costs of Health and Welfare benefits are anticipated to increase. Although the rates for active employees did not increase in 2008-09, 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 re-opening Eastin Arcola School.
- 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the District had invested \$199.4 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 \$15.0 million or 8.1% over last year. Total accumulated depreciation for the year exceeded \$46 million.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2007-08

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

	Governmental Activities		Total Percentage Change
	2008	2007	
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	4.2	3.4	23.5%
Construction in Progress	16.7	81.9	-79.6%
Buildings	159.3	81.2	96.2%
Furniture and Equipment	5.4	4.1	31.7%
Totals	\$ 199.4	\$ 184.4	8.1%

LONG-TERM OBLIGATIONS

At year-end the District had \$99.5 million long-term obligations outstanding - an increase of 0.2% from last year - as shown in Table A-5.

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

	Governmental Activities		Total Percentage Change
	2008	2007	
General Obligation Bonds	\$ 74.6	\$ 74.1	0.7%
Certificates of Participation	18.0	18.4	-2.2%
Capital Leases Payable	3.0	3.2	-6.3%
Other Long-Term Obligations	2.6	2.4	8.3%
Compensated Absences	1.3	1.2	8.3%
Total	\$ 99.5	\$ 99.3	0.2%

- The capital leases payable were reduced.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2007-08

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 State's ability to meet the cash flow obligations.
- The outcome of District's negotiations with the various unions cannot be predicted.
- The future costs of Health and Welfare benefits are anticipated to increase. Although the rates for active employees did not increase in 2008-09, the current District Contribution is \$11,360 per employee working more than four hours per day, five days per week.
- One-time and on-going costs associated with re-opening Eastin Arcola School.
- 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 GASB45.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2008

	Governmental Activities
ASSETS	
Deposits and investments	\$ 66,179,667
Receivables	11,819,230
Prepaid expenses	1,341,821
Stores inventories	634,991
Nondepreciable capital assets	30,525,010
Depreciable capital assets	215,640,442
Accumulated depreciation	(46,744,106)
Total Assets	279,397,055
LIABILITIES	
Accounts payable	13,054,613
Deferred revenue	740,535
Current portion of long-term obligations	3,740,793
Noncurrent portion of long-term obligations	95,753,554
Total Liabilities	113,289,495
NET ASSETS	
Invested in capital assets, net of related debt	103,401,646
Restricted for:	
Debt service	3,801,179
Capital projects	32,086,817
Educational programs	5,919,525
Other activities	7,228,098
Self-insurance	373,568
Unrestricted	13,296,727
Total Net Assets	\$ 166,107,560

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 99,631,699	\$ 604,416	\$ 22,947,355	\$ 8,627,733
Instruction-related activities:				
Supervision of instruction	3,909,816	128	3,297,898	-
Instructional library, media and technology	1,563,890	2,958	750,733	-
School site administration	14,855,353	47,357	3,609,812	-
Pupil services:				
Home-to-school transportation	5,567,638	375,569	4,150,203	-
Food services	7,727,419	1,336,734	6,652,634	-
All other pupil services	7,437,178	7,352	2,354,234	-
General administration:				
Data processing	1,116,149	-	6	-
All other general administration	6,495,568	39,808	772,188	-
Plant services	17,032,429	95,633	1,719,768	-
Ancillary services	2,183,845	11,107	30,585	-
Community services	16,469	-	-	-
Interest on long-term obligations	4,423,792	-	-	-
Other outgo	595,632	446,534	2,575,634	-
Total Governmental-Type Activities	\$ 172,556,877	\$ 2,967,596	\$ 48,861,050	\$ 8,627,733
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Transfers between agencies				
Miscellaneous				
Subtotal, General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

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

**Governmental
Activities**

\$ (67,452,195)

(611,790)

(810,199)

(11,198,184)

(1,041,866)

261,949

(5,075,592)

(1,116,143)

(5,683,572)

(15,217,028)

(2,142,153)

(16,469)

(4,423,792)

2,426,536

(112,100,498)

19,333,617

3,347,093

456,700

93,220,535

1,781,854

180,435

5,833,647

124,153,881

12,053,383

154,054,177

\$ 166,107,560

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 20,361,591	\$ 17,169,052	\$ 8,729,073
Receivables	9,977,213	-	-
Due from other funds	2,213,780	-	350,203
Prepaid expenditures	60,379	-	-
Stores inventories	465,224	-	-
Total Assets	\$ 33,078,187	\$ 17,169,052	\$ 9,079,276
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,155,033	\$ -	\$ 580,189
Due to other funds	267,666	350,197	3,252
Deferred revenue	246,031	-	-
Total Liabilities	11,668,730	350,197	583,441
FUND BALANCES			
Reserved for:			
Revolving cash	25,000	-	-
Stores inventories	465,224	-	-
Prepaid expenditures	60,379	-	-
Legally restricted balance	5,833,115	-	-
Unreserved:			
Designated	7,251,582	-	-
Undesignated, reported in:			
General Fund	7,774,157	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	16,818,855	8,495,835
Total Fund Balance	21,409,457	16,818,855	8,495,835
Total Liabilities and Fund Balances	\$ 33,078,187	\$ 17,169,052	\$ 9,079,276

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 19,546,383	\$ 65,806,099
1,842,017	11,819,230
903,354	3,467,337
-	60,379
169,767	634,991
<u>\$ 22,461,521</u>	<u>\$ 81,788,036</u>

\$ 1,319,391	\$ 13,054,613
2,846,222	3,467,337
494,504	740,535
<u>4,660,117</u>	<u>17,262,485</u>

1,415	26,415
169,767	634,991
-	60,379
86,410	5,919,525
498,037	7,749,619
-	7,774,157
6,472,469	6,472,469
3,801,179	3,801,179
6,772,127	32,086,817
<u>17,801,404</u>	<u>64,525,551</u>
<u>\$ 22,461,521</u>	<u>\$ 81,788,036</u>

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MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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

Total Fund Balance - Governmental Funds		\$ 64,525,551
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	\$ 246,165,452	
Accumulated depreciation is	<u>(46,744,106)</u>	
Total capital assets		199,421,346
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:		
		1,281,442
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:		
		373,568
Long-term liabilities at year end consist of:		
General obligation bonds	(74,637,687)	
Certificates of participation	(17,985,000)	
State Preschool Loan Program	(424,789)	
Capital lease obligations	(2,972,224)	
Compensated absences	(1,260,691)	
Early retirement incentive obligation	<u>(2,213,956)</u>	
Total long-term liabilities		(99,494,347)
Total Net Assets - Governmental Activities		\$ 166,107,560

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, 2008

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 101,884,078	\$ -
Federal sources	11,701,473	-
Other state sources	30,339,297	-
Other local sources	8,525,434	1,083,813
Total Revenues	152,450,282	1,083,813
EXPENDITURES		
Current		
Instruction	91,669,622	-
Instruction-related activities:		
Supervision of instruction	3,907,856	-
Instructional library, media and technology	1,598,231	-
School site administration	13,736,385	-
Pupil Services:		
Home-to-school transportation	6,320,228	-
Food services	840	-
All other pupil services	7,308,651	-
General administration:		
Data processing	1,116,149	-
All other general administration	5,968,946	-
Plant services	15,253,966	-
Facility acquisition and construction	196,771	-
Ancillary services	2,226,116	-
Community services	16,469	-
Other outgo	595,632	-
Debt service		
Principal	250,083	-
Interest and other	163,769	-
Total Expenditures	150,329,714	-
Excess (Deficiency) of Revenues Over Expenditures	2,120,568	1,083,813
Other Financing Sources (Uses):		
Transfers in	33,892	-
Other sources	-	1,298
Transfers out	(926,258)	(6,844,856)
Net Financing Sources (Uses)	(892,366)	(6,843,558)
NET CHANGE IN FUND BALANCES	1,228,202	(5,759,745)
Fund Balance - Beginning	20,181,255	22,578,600
Fund Balance - Ending	\$ 21,409,457	\$ 16,818,855

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 101,884,078
-	6,844,683	18,546,156
8,627,733	7,156,165	46,123,195
211,212	8,213,449	18,033,908
<u>8,838,945</u>	<u>22,214,297</u>	<u>184,587,337</u>
-	3,888,959	95,558,581
-	1,960	3,909,816
-	-	1,598,231
-	1,161,800	14,898,185
-	-	6,320,228
-	7,695,528	7,696,368
-	139,359	7,448,010
-	-	1,116,149
-	492,662	6,461,608
82,516	1,458,186	16,794,668
15,214,047	2,793,595	18,204,413
-	-	2,226,116
-	-	16,469
-	-	595,632
-	1,114,947	1,365,030
-	2,970,549	3,134,318
<u>15,296,563</u>	<u>21,717,545</u>	<u>187,343,822</u>
<u>(6,457,618)</u>	<u>496,752</u>	<u>(2,756,485)</u>
6,844,856	1,905,864	8,784,612
-	21,625	22,923
-	(1,013,498)	(8,784,612)
<u>6,844,856</u>	<u>913,991</u>	<u>22,923</u>
387,238	1,410,743	(2,733,562)
8,108,597	16,390,661	67,259,113
<u>\$ 8,495,835</u>	<u>\$ 17,801,404</u>	<u>\$ 64,525,551</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, 2008

Total Net Change in Fund Balances - Governmental Funds \$ (2,733,562)

**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.

Capital outlays	\$ 19,873,424	
Depreciation expense	<u>(4,867,879)</u>	15,005,545

In the statement of activities, certain operating expenses - compensated absences 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).

(65,392)

In the statement of activities, certain operating expenses - 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).

(211,844)

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	370,000
General obligation bonds	710,000
Capital lease obligations	250,083
Child care facilities revolving fund	34,947

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	(53,393)	
Amortization of bond premium	<u>51,865</u>	
Combined adjustment		(1,528)

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, 2008

Interest on long-term obligations 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 District's "capital appreciation" general obligation bonds.

\$ (1,287,946)

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 income of the internal service fund is eliminated in the government-wide statements as it was internally generated.

(16,920)

Change in Net Assets of Governmental Activities

\$ 12,053,383

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, 2008

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 373,568
Total Assets	<u>373,568</u>
LIABILITIES	
Current Liabilities	-
Total Current Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	373,568
Total Net Assets	<u>\$ 373,568</u>

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

MADERA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ -
Total Operating Revenues	<u>-</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>16,920</u>
Total Nonoperating Revenues (Expenses)	<u>16,920</u>
Income (Loss) Before Capital Contributions and Transfers	<u>16,920</u>
Change in Net Assets	16,920
Total Net Assets - Beginning	<u>356,648</u>
Total Net Assets - Ending	<u><u>\$ 373,568</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>\$ 16,920</u>
Net Cash Provided (Used) from Investing Activities	<u>16,920</u>
Net increase in cash and cash equivalents	16,920
Cash and cash equivalents - Beginning	356,648
Cash and cash equivalents - Ending	<u><u>\$ 373,568</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2008

	Scholarship Trusts	Agency Funds
ASSETS		
Deposits and investments	\$ 154,094	\$ 445,998
Total Assets	<u>154,094</u>	<u>445,998</u>
LIABILITIES		
Accounts payable		
Due to student groups		
Jefferson	-	6,796
King	-	15,651
La Vina	-	4,948
Washington	-	2,056
Madera High	-	277,705
Ripperdan High	-	4,512
FBLA Allow Card	-	378
Desmond Middle	-	16,075
Mountain Vista High School	-	149
Madera South High	-	117,728
Total Liabilities	<u>-</u>	<u>\$ 445,998</u>
NET ASSETS-RESERVED		
Lorraine Thompson Scholarship	52,118	
Student Government Scholarship	3,106	
Albonico Scholarship	9,503	
E. L. L. Scholarship	3,440	
Ray Pool Scholarship	6,487	
Gomez-Vidal Scholarship	2,999	
Anna Guzman Mem Scholarship	120	
Michael A Wong Class 85' Sch	600	
Dave Schoettler Mem Scholarship	214	
FMC Food Tech Scholarship	3,620	
Esperanza Scholarship	1,046	
K. Roberts Memorial Scholarship	835	
FMC Food Tech Scholarship	2,170	
J. Hinton Scholarship	120	
Science & Health Scholarship	10,000	
FCCLA Scholarship	650	
Madera Athletic	9,954	
Cardenazz Roberts Scholarship	500	
Berry-Robotics Scholarship	450	
Mike Young Scholarship	4,500	
School of Business Scholarship	1,507	
Joan Davis Scholarship	4,915	
Madera Lions Club	35,240	
Total Net Assets	<u>\$ 154,094</u>	

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	<u>Scholarship Trusts</u>
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 2,421
Student Government Scholarship	1,000
Albonico Scholarship	399
E. L. L. Scholarship	1,809
Ray Pool Scholarship	11
Gomez-Vidal Scholarship	30
Anna Guzman Mem Scholarship	450
Michael A Wong Class 85' Sch	4,328
Dave Schoettler Mem Scholarship	4,616
FMC Food Tech Scholarship	10,000
Esperanza Scholarship	9
J. Hinton Scholarship	500
Science & Health Scholarship	73
FCCLA Scholarship	650
Binger Scholarship	99
Cardenazz Roberts Scholarship	464
Madera Lions Club	1,614
Total Additions	<u>28,473</u>
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	3,500
Student Government Scholarship	200
Albonico Scholarship	400
E. L. L. Scholarship	1,785
Gomez-Vidal Scholarship	1,000
Anna Guzman Mem Scholarship	153
FMC Food Tech Scholarship	6,500
Science & Health Scholarship	250
FCCLA Scholarship	1,250
Cardenazz Roberts Scholarship	1,250
Mike Young Scholarship	500
Joan Davis Scholarship	1,000
Marketing/CVELP Scholarship	186
Madera Lions Club	1,000
Total Deductions	<u>18,974</u>

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS, Continued FOR THE YEAR ENDED JUNE 30, 2008

	Scholarship Trusts
ADDITIONS	
Change in Net Assets	\$ 9,499
Net Assets - Beginning	144,595
Net Assets - Ending	<u>\$ 154,094</u>

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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 sixteen 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 has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of 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 16 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, 2008

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 is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

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

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 two classifications: 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 Scholarship Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. 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. Eliminations have been made to minimize the double counting of internal activities.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded 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, 2008

Investments

Investments held at June 30, 2008, 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 General Fund represent investments required by State and Federal grantor agencies to be set aside by the District for the purpose of satisfying certain requirements of the grant.

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, 2008

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, 2008

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 \$49,409,187 of restricted net assets, of which \$46,521,682 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, 2008

New Accounting Pronouncements

In July 2004, GASB issued GASB Statement 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 GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement 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 GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005.

In May 2007, GASB issued GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

In June 2007, GASB issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 66,179,667
Fiduciary funds	600,092
Total Deposits and Investments	<u>\$ 66,779,759</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 527,975
Cash in revolving	26,415
Investments	66,225,369
Total Deposits and Investments	<u>\$ 66,779,759</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, 2008

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.

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
U.S. Agency Money Market Mutual Funds	\$ 280	\$ 280	\$ -	\$ -	\$ -
County Pool	66,225,089	66,225,089	-	-	-
Total	<u>\$66,225,369</u>	<u>\$66,225,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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:					
U.S. Agency Money Market Mutual Funds	\$ 280	N/A	\$ -	\$ -	\$ 280
County Pool	66,225,089	N/A	-	-	66,225,089
Total	<u>\$66,225,369</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$66,225,369</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.

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, 2008, the District's bank balance of \$324,540 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 \$280, the District does not have a custodial credit risk exposure because none of the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 2,181,096	\$ 1,054,926	\$ 3,236,022
State Government			
Apportionment	5,140,883	250,078	5,390,961
Categorical aid	1,254,488	-	1,254,488
Lottery	196,590	-	196,590
Other State	496,354	463,641	959,995
Other Local Sources	707,802	73,372	781,174
Total Fund Statements	<u>\$ 9,977,213</u>	<u>\$ 1,842,017</u>	<u>\$ 11,819,230</u>

NOTE 4 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2008, consisted of the following:

	General Fund	Total
Supplies	<u>\$ 60,379</u>	<u>\$ 60,379</u>
Prepaid debt issuance costs		<u>1,281,442</u>
Total prepaid expenses on government-wide statements		<u>\$ 1,341,821</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	81,895,402	-	65,133,724	16,761,678
Total Capital Assets Not Being Depreciated	95,658,734	-	65,133,724	30,525,010
Capital Assets being depreciated				
Land improvements	3,610,758	973,419	-	4,584,177
Buildings and improvements	113,654,960	82,220,588	-	195,875,548
Furniture and equipment	13,628,793	1,813,141	261,217	15,180,717
Total Capital Assets Being Depreciated	130,894,511	85,007,148	261,217	215,640,442
Less Accumulated Depreciation				
Land improvements	152,922	230,909	-	383,831
Buildings and improvements	32,513,333	4,036,952	-	36,550,285
Furniture and equipment	9,471,189	600,018	261,217	9,809,990
Total Accumulated Depreciation	42,137,444	4,867,879	261,217	46,744,106
Governmental Activities Capital Assets, Net	\$ 184,415,801	\$ 80,139,269	\$ 65,133,724	\$ 199,421,346

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,075,458
School site administration	34,880
Home-to-school transportation	361,439
Food services	26,748
Plant services	369,354
Total Depreciation Expenses Governmental Activities	\$ 4,867,879

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
General	\$ 2,213,780	\$ 267,666
Building	-	350,197
County School Facilities	350,203	3,252
Total Major Funds	<u>2,563,983</u>	<u>621,115</u>
Non-Major Funds		
Adult	169,722	123,901
Child Development	17,734	1,336,619
Cafeteria	27,631	674,288
Deferred Maintenance	-	3,101
Capital Facilities	105,242	708,313
COP Debt Service	583,025	-
Total Non-Major Funds	<u>903,354</u>	<u>2,846,222</u>
Total Governmental Funds	<u>\$ 3,467,337</u>	<u>\$ 3,467,337</u>

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

The General Fund transferred to the Adult Fund for a Lottery revenue transfer.	\$ 161,315
The General Fund transferred to the Deferred Maintenance Fund for the required State match.	764,943
The Building Fund transferred to the County School Facilities Fund for building projects.	6,844,856
The Capital Facilities Fund transferred to the COP Debt Service Fund for the required debt service payment.	979,606
The Capital Facilities Fund transferred to the General Fund three percent of the developer fees collected for administrative services.	33,892
Total	<u>\$ 8,784,612</u>

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,220,908	\$ 580,189	\$ 886,707	\$ 2,687,804
Accrued payroll	872,600	-	193,190	1,065,790
Deferred payroll	4,587,312	-	-	4,587,312
State apportionment	1,090,141	-	-	1,090,141
Benefits pass through	3,384,072	-	239,494	3,623,566
Total	<u>\$ 11,155,033</u>	<u>\$ 580,189</u>	<u>\$ 1,319,391</u>	<u>13,054,613</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 4,888	\$ 493,681	\$ 498,569
State categorical aid	241,143	823	241,966
Total	<u>\$ 246,031</u>	<u>\$ 494,504</u>	<u>\$ 740,535</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds-2003	\$13,830,000	\$ -	\$ 335,000	\$13,495,000	\$ 45,000
General obligation bonds-2005					
Current Interest Bonds	12,045,000	-	360,000	11,685,000	710,000
Capital Appreciation Bonds	14,871,446	761,662	-	15,633,108	-
General obligation bonds-2006					
Current Interest Bonds	1,915,000	-	15,000	1,900,000	100,000
Capital Appreciation Bonds	2,012,850	97,893	-	2,110,743	-
General obligation bonds-2007					
Current Interest Bonds	18,690,000	-	-	18,690,000	440,000
Capital Appreciation Bonds	9,450,688	428,391	-	9,879,079	-
Premium	1,296,622	-	51,865	1,244,757	51,865
State Preschool Revolving Loan	459,736	-	34,947	424,789	55,947
Certificates of participation-1992	280,000	-	280,000	-	-
Certificates of participation-2004	18,075,000	-	90,000	17,985,000	95,000
Accumulated vacation - net	1,195,299	1,260,691	1,195,299	1,260,691	1,260,691
Early retirement programs	2,002,112	906,157	694,313	2,213,956	719,198
Capital leases	3,222,307	-	250,083	2,972,224	263,092
Total	<u>\$99,346,060</u>	<u>\$ 3,454,794</u>	<u>\$3,306,507</u>	<u>\$99,494,347</u>	<u>\$ 3,740,793</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2008
2002, Series 2003 General Obligation Bonds:							
8/1/2003	8/04-8/28	1-4.90%	\$ 16,200,000	\$ 13,830,000	\$ -	\$ 335,000	\$ 13,495,000
2002, Series 2005 General Obligation Bonds:							
Current Interest Bonds							
5/1/05	8/06-8/17	3-5%	12,670,000	12,045,000	-	360,000	11,685,000
Capital Appreciation Bonds							
5/1/05	8/18-8/29	4.77-5.23%	13,329,104	14,871,446	761,662	-	15,633,108
2002, Series 2006 General Obligation Bonds							
Current Interest Bonds							
3/1/06	8/1/2017	3.75-4%	1,915,000	1,915,000	-	15,000	1,900,000
Capital Appreciation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,012,850	97,893	-	2,110,743
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	428,391	-	9,879,079
Total				<u>\$ 72,814,984</u>	<u>\$ 1,287,946</u>	<u>\$ 710,000</u>	<u>\$ 73,392,930</u>

Debt Service Requirements to Maturity

2002, Series 2003 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	195,000	640,566	835,566
2014-2018	1,740,000	3,018,898	4,758,898
2019-2023	3,475,000	2,420,977	5,895,977
2024-2028	6,075,000	1,226,094	7,301,094
2029	1,615,000	40,375	1,655,375
Total	<u>\$ 13,495,000</u>	<u>\$ 9,963,674</u>	<u>\$ 23,458,674</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

2002, Series 2005 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,060,000	391,250	1,451,250
2014-2018	7,295,000	983,875	8,278,875
Total	<u>\$ 11,685,000</u>	<u>\$ 3,292,327</u>	<u>\$ 14,977,327</u>

2002, Series 2006 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	150,000	56,010	206,010
2014-2018	1,015,000	175,850	1,190,850
2019	260,000	10,010	270,010
Total	<u>\$ 1,900,000</u>	<u>\$ 516,110</u>	<u>\$ 2,416,110</u>

2002, Series 2007 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	700,000	790,588	1,490,588
2014-2018	5,075,000	3,441,140	8,516,140
2019-2023	8,615,000	1,951,000	10,566,000
2024	2,290,000	114,500	2,404,500
Total	<u>\$ 18,690,000</u>	<u>\$ 9,673,380</u>	<u>\$ 28,363,380</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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	\$ 1,201,585	\$ 280,000	\$ 173,824	\$ -	\$ -
2020	2,015,000	1,192,074	295,000	174,581	-	-
2021	2,100,000	1,177,260	305,000	172,325	-	-
2022	2,200,000	1,168,200	325,000	174,785	-	-
2023	2,300,000	1,155,060	335,000	171,855	-	-
2024	2,400,000	1,139,040	350,000	170,940	-	-
2025	2,510,000	1,124,982	365,000	169,871	2,510,000	1,248,976
2026	2,625,000	1,109,325	385,000	170,401	2,620,000	1,243,976
2027	2,740,000	1,097,096	405,000	170,343	2,735,000	1,238,408
2028	2,865,000	1,086,408	425,000	170,170	2,855,000	1,232,789
2029	2,995,000	1,072,809	675,000	191,160	2,985,000	1,228,029
2030	4,650,000	1,572,630	760,000	200,488	3,115,000	1,223,572
2031	4,805,000	1,536,639	-	-	3,255,000	1,219,974
2032	-	-	-	-	3,475,000	1,243,355
Total	<u>\$36,130,000</u>	<u>\$ 15,633,108</u>	<u>\$ 4,905,000</u>	<u>\$ 2,110,743</u>	<u>\$23,550,000</u>	<u>\$ 9,879,079</u>

Preschool Revolving Loan

The District has entered into four agreements with the California Department of Education for non-interest loans for child care facilities at the Madison site, the George Washington site, the Ceasar Chavez site, and the Pershing site. The District is required to make annual loan payments ranging from \$9,974 to \$21,000 for each loan.

Year Ending June 30,	Lease Payment
2009	\$ 55,948
2010	55,947
2011	55,947
2012	55,947
2013	36,000
2014-2017	165,000
Total	<u>\$ 424,789</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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, 2008, the principal balance outstanding was \$0.

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, 2008, the principal balance outstanding was \$17,985,000.

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%	\$ 280,000	\$ 280,000	\$ -
2004	5/14/2004	18,240,000	3.50-5.35%	18,075,000	90,000	17,985,000
Total				<u>\$ 18,355,000</u>	<u>\$ 370,000</u>	<u>\$ 17,985,000</u>

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	440,000	834,469	1,274,469
2014-2018	2,510,000	3,851,721	6,361,721
2019-2023	3,205,000	3,160,565	6,365,565
2024-2028	4,085,000	2,275,814	6,360,814
2029-2033	5,225,000	1,138,620	6,363,620
2034	1,210,000	62,013	1,272,013
Total	<u>\$ 17,985,000</u>	<u>\$ 14,816,078</u>	<u>\$ 32,801,078</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$1,260,691.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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 \$2,213,956 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$694,313.

Capital Leases

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

	Leases
Balance, July 1, 2007	\$ 3,222,307
Payments	250,083
Balance, June 30, 2008	<u>\$ 2,972,224</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 409,737
2010	409,737
2011	409,737
2012	409,737
2013	409,737
2014-2018	1,686,762
Total	<u>3,735,447</u>
Less: Amount Representing Interest	763,223
Present Value of Minimum Lease Payments	<u>\$ 2,972,224</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 10 - 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	\$ 25,000	\$ -	\$ -	\$ 1,415	\$ 26,415
Stores inventory	465,224	-	-	169,767	634,991
Prepaid expenditures	60,379	-	-	-	60,379
Restricted programs	5,833,115	-	-	86,410	5,919,525
Total Reserved	6,383,718	-	-	257,592	6,641,310
Unreserved					
Designated					
Economic uncertainties	4,442,908	-	-	-	4,442,908
Other designation	2,808,674	-	-	498,037	3,306,711
Total Designated	7,251,582	-	-	498,037	7,749,619
Undesignated	7,774,157	16,818,855	8,495,835	17,045,775	50,134,622
Total Unreserved	15,025,739	16,818,855	8,495,835	17,543,812	57,884,241
Total	\$21,409,457	\$16,818,855	\$ 8,495,835	\$ 17,801,404	\$ 64,525,551

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2008, the following District major fund exceeded the budgeted amount as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Other outgo	\$ 202,551	\$ 238,496	\$ 35,945

NOTE 12 - 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, 131 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 \$1,287,715 were recognized for retirees' health care benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 13 - 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 2008, 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 14 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$5,910,334, \$5,567,007, and \$4,932,912, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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, California 95811.

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 2007-2008 was 9.306 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, 2008, 2007, and 2006, were \$1,964,149, \$1,721,184, and \$1,491,482, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,235,996 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

NOTE 15 - 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, 2008.

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, 2008.

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, 2008

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Mt. Vista Refurbishment	\$ 1,434,844	2008-09
Future High School	100,025,130	2013-14
Parkwood Elementary School	3,197,342	2008-09
Eastin Arcola Fencing	142,000	2009-10
Howard Fencing and Paving	346,857	2008-09
LaVina Portable Project	232,479	2009-10
Millview Portable Project	287,253	2009-10
Madera High HVAC	19,800	2008-09
Madera High Paving Project	146,937	2009-10
Madera South High School Ag Project	86,000	2009-10
Madera High Pool Project	3,800,000	2010-11
Madera South High School Pool Project	5,300,000	2012-13
Sierra Vista Admin Building Remodel	175,000	2009-10
MHS - Transition Phase Modernization	259,731	2008-09
Total	<u>\$ 115,453,373</u>	

NOTE 16 - 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, 2008, the District made payment of \$2,487,845 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2008, the District made payment of \$20,878,874 to CVT for health and welfare benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$4,945,000 of Tax and Revenue Anticipation Notes dated July 1, 2008. The notes mature on July 6, 2009, and yield 3.0 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning August 1, 2008, until 100 percent of principal and interest due is on account in June 2009.

REQUIRED SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual ¹ (GAAP Basis)	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$101,898,390	\$101,884,078	\$101,884,078	\$ -
Federal sources	10,789,089	13,435,184	11,701,473	(1,733,711)
Other state sources	25,275,498	27,297,287	30,339,297	3,042,010
Other local sources	5,555,736	8,744,683	5,366,399	(3,378,284)
Total Revenues	143,518,713	151,361,232	149,291,247	(2,069,985)
EXPENDITURES				
Current				
Certificated Salaries	66,353,010	72,988,558	71,574,374	1,414,184
Classified salaries	19,104,333	21,572,702	20,902,756	669,946
Employee benefits	30,898,765	31,625,460	31,136,211	489,249
Books and supplies	13,435,865	15,990,025	9,855,549	6,134,476
Services and operating expenditures	7,835,983	13,575,118	11,226,561	2,348,557
Other outgo	181,899	202,551	238,496	(35,945)
Capital outlay	230,247	2,711,215	1,822,880	888,335
Debt service	413,852	413,852	413,852	-
Total Expenditures	138,453,954	159,079,481	147,170,679	11,908,802
Excess (Deficiency) of Revenues Over Expenditures	5,064,759	(7,718,249)	2,120,568	9,838,817
Other Financing Sources (Uses):				
Transfers in	88,500	33,892	33,892	-
Transfers out	(1,774,619)	(926,258)	(926,258)	-
Net Financing Sources (Uses)	(1,686,119)	(892,366)	(892,366)	-
NET CHANGE IN FUND BALANCES	3,378,640	(8,610,615)	1,228,202	9,838,817
Fund Balance - Beginning	20,181,255	20,181,255	20,181,255	-
Fund Balance - Ending	\$ 23,559,895	\$ 11,570,640	\$ 21,409,457	\$ 9,838,817

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, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Advance Placement Fee Payment Program	84.330	14831	\$ 18,172
Adult Education			
Basic	84.002A	14508	103,712
Secondary Education	84.002A	13978	22,100
Institutionalized Adults	84.002A	13971	7,500
English, Literature & Civics	84.002A	14109	69,702
No Child Left Behind			
Title I - Basic	84.010	14329	7,267,421
Title I - Part C, Migrant	84.011	14326	49,790
Title II - Part A, Teacher Quality	84.367	14341	888,225
Title II - Part D, Enhancing Education - Tech	84.318	14334	70,889
Title II - Part D, Enhancing Education- Competitive	84.318	14368	8,522
Title III - LEP	84.365	10084	450,659
Title V - Innovative Education Strategies	84.298A	14354	52,118
Title IV- Drug Free Schools	84.186	14347	147,545
Title X - McKinney-Vento Homeless Assistance	84.196	14332	26
Special Education - State Grants			
IDEA Basic	84.027	13379	1,187,855
Vocational Educational Grants			
Adult Education	84.048	13924	197,441
Secondary Education	84.048	13923	54,786
Total U.S. Department of Education			<u>10,596,463</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	5,096,927
Basic Breakfast	10.553	13525	143,214
Especially Needy Breakfast	10.553	13526	1,133,939
Meals Supplements - Snack	10.555	13391	188,539
Food Distribution	10.555	13391	462,667
Subtotal Child Nutrition Cluster			<u>7,025,286</u>
Passed through California Department of Public Health:			
Network for a Healthy California	10.561	12151	213,869
Total U.S. Department of Agriculture			<u>7,239,155</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	\$ 40,468
Medi-Cal Administrative Activities	93.778	10060	310,473
Subtotal Medicaid Cluster			350,941
Passed through CDE:			
School Age Child Care Resource Program	93.575	13979	24,264
Total U.S. Department of Health and Human Services			375,205
U.S. DEPARTMENT OF TRANSPORTATION			
Local Assistance Congestion Mitigation & Air Quality	CML-6414(002)	N/A	798,000
Total U.S. Department of Health and Human Services			798,000
Total Expenditures of Federal Awards			\$19,008,823

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

ORGANIZATION

The Madera Unified School District was established in 1966 and consists of an area comprising approximately 400 square miles. The District operates sixteen 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
Ray G. Seibert	President	2008
Michael H. Westley	Clerk	2010
J. Gary Adams	Trustee	2008
Carles Beckett	Trustee	2010
Robert E. Garibay	Trustee	2008
Dr. Loraine Goodwin	Trustee	2010
Philip D. Janzen	Trustee	2010

ADMINISTRATION

Larry N. Risinger	Superintendent
Kathy Lopes	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, 2008

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,449	1,471
First through third	4,399	4,447
Fourth through sixth	4,008	4,051
Seventh and eighth	2,633	2,642
Home and hospital	1	2
Special education	276	279
Total Elementary	12,766	12,892
SECONDARY		
Regular classes	4,251	4,264
Continuation education	297	301
Opportunity schools	10	10
Home and hospital	4	5
Special education	199	193
Total Secondary	4,761	4,773
Total K-12	17,527	17,665
CLASSES FOR ADULTS		
Concurrently enrolled	29	37
Not concurrently enrolled	1,093	1,183
Adults in correctional facilities	16	17
Total Classes for Adults	1,138	1,237
Grand Total	18,665	18,902
		Hours of Attendance
SUPPLEMENTAL HOURS		
K-12 Core instruction		11,829
7-12 Remedial instruction		165,511
Total Hours		177,340

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	29,205	36,000	36,000	180	N/A	Complied
Grades 1 - 3						
Grade 1	40,710	50,400	55,320	180	N/A	Complied
Grade 2	40,710	50,400	55,320	180	N/A	Complied
Grade 3	40,710	50,400	55,320	180	N/A	Complied
Grades 4 - 8						
Grade 4	42,480	54,000	55,980	180	N/A	Complied
Grade 5	42,480	54,000	55,980	180	N/A	Complied
Grade 6	42,480	54,000	55,980	180	N/A	Complied
Grade 7	42,480	54,000	57,240	180	N/A	Complied
Grade 8	42,480	54,000	57,240	180	N/A	Complied
Grades 9 - 12						
Grade 9	58,608	64,800	64,920	180	N/A	Complied
Grade 10	58,608	64,800	64,920	180	N/A	Complied
Grade 11	58,608	64,800	64,920	180	N/A	Complied
Grade 12	58,608	64,800	64,920	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, 2008

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

	<u>Adult</u>
FUND BALANCE	
Balance, June 30, 2008, Unaudited Actuals	\$ 1,096,343
Increase in:	
Accounts Receivable	<u>139,751</u>
Balance, June 30, 2008, Audited Financial Statement	<u><u>\$ 1,236,094</u></u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 ¹	2008 ⁴	2007 ⁴	2006 ⁴
GENERAL FUND				
Revenues and other sources	\$144,616,797	\$149,325,139	\$145,058,022	\$133,908,304
Expenditures ⁴	143,286,573	147,170,679	141,445,379	129,146,021
Other uses and transfers out	9,335	926,258	2,277,656	1,760,422
Total Expenditures and Other Uses	143,295,908	148,096,937	143,723,035	130,906,443
INCREASE/(DECREASE) IN FUND BALANCE	\$ 1,320,889	\$ 1,228,202	\$ 1,334,987	\$ 3,001,861
ENDING FUND BALANCE	\$ 22,730,346	\$ 21,409,457	\$ 20,181,255	\$ 18,846,268
AVAILABLE RESERVES ²	\$ 18,141,748	\$ 13,715,950	\$ 12,718,653	\$ 10,218,097
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	12.7%	9.3%	8.8%	7.8%
LONG-TERM OBLIGATIONS	Not Available	\$ 99,494,347	\$ 99,346,060	\$ 69,994,714
AVERAGE DAILY ATTENDANCE AT P-2 ³	17,604	17,527	17,225	16,711

The General Fund balance has increased by \$2,563,189 over the past two years. The fiscal year 2008-09 budget projects an increase of \$1,320,889 (6.2 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 2008-09 fiscal year. Total long-term obligations have increased by \$29,499,633 over the past two years, primarily due to the issuance of new bonds and certificates of participation.

Average daily attendance has increased by 816 over the past two years. Additional growth of 77 ADA is anticipated during fiscal year 2008-09.

¹ Budget 2009 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, 2008

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, 2008**

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

K-3 CLASS SIZE REDUCTION SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

During our audit of the District's participation in the K-3 Class Size Reduction program, we found that the District underreported the number of classes and pupils that participated in the program during the year. The program provides incentive funding for Districts that reduce the average enrollment of students to below 20 in kindergarten through third grade classes. The errors on the Form J-7 CSR Report understated the number of second grade class the District reported 13 classes of 18 students and should have reported 14 classes of 18 students. In addition, the combination class breakdown by grade was incorrect. The Kindergarteners were overstated by 20 and the first graders were understated by 20. The error on the breakdown by grade on the combination has no fiscal impact. The net understatement of 18 in the tally sections of the form results in additional funding of \$19,278, based on funding of \$1,071 per unit of average enrollment.

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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, 2008

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.

K-3 Class Size Reduction Schedule

This schedule outlines information required by the State Controller for any class found in the District that was claimed for K-3 class size reduction funding that was deemed ineligible.

SUPPLEMENTARY INFORMATION - UNAUDITED

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MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 1,489,913	\$ 1,710,677	\$ 1,053,123	\$ 2,536,049
Receivables	417,198	362,642	1,062,177	-
Due from other funds	169,722	17,734	27,631	-
Stores inventories	-	-	169,767	-
Total Assets	<u>\$2,076,833</u>	<u>\$ 2,091,053</u>	<u>\$2,312,698</u>	<u>\$ 2,536,049</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 222,941	\$ 115,727	\$ 248,075	\$ 68,264
Due to other funds	123,901	1,336,619	674,288	3,101
Deferred revenue	493,897	607	-	-
Total Liabilities	<u>840,739</u>	<u>1,452,953</u>	<u>922,363</u>	<u>71,365</u>
Fund Balances:				
Reserved for:				
Revolving cash	-	-	1,415	-
Stores inventories	-	-	169,767	-
Legally restricted balance	86,410	-	-	-
Unreserved:				
Designated	415,047	-	82,990	-
Undesignated, reported in:				
Special revenue funds	734,637	638,100	1,136,163	2,464,684
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balances	<u>1,236,094</u>	<u>638,100</u>	<u>1,390,335</u>	<u>2,464,684</u>
Total Liabilities and Fund Balances	<u>\$2,076,833</u>	<u>\$ 2,091,053</u>	<u>\$2,312,698</u>	<u>\$ 2,536,049</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	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 1,498,885	\$ 6,649,032	\$ 1,390,550	\$ 3,217,540	\$ 614	\$ 19,546,383
-	-	-	-	-	1,842,017
-	105,242	-	-	583,025	903,354
-	-	-	-	-	169,767
<u>\$ 1,498,885</u>	<u>\$ 6,754,274</u>	<u>\$ 1,390,550</u>	<u>\$ 3,217,540</u>	<u>\$ 583,639</u>	<u>\$ 22,461,521</u>
\$ -	\$ 662,454	\$ 1,930	\$ -	\$ -	\$ 1,319,391
-	708,313	-	-	-	2,846,222
-	-	-	-	-	494,504
-	<u>1,370,767</u>	<u>1,930</u>	<u>-</u>	<u>-</u>	<u>4,660,117</u>
-	-	-	-	-	1,415
-	-	-	-	-	169,767
-	-	-	-	-	86,410
-	-	-	-	-	498,037
1,498,885	-	-	-	-	6,472,469
-	-	-	3,217,540	583,639	3,801,179
-	5,383,507	1,388,620	-	-	6,772,127
<u>1,498,885</u>	<u>5,383,507</u>	<u>1,388,620</u>	<u>3,217,540</u>	<u>583,639</u>	<u>17,801,404</u>
<u>\$ 1,498,885</u>	<u>\$ 6,754,274</u>	<u>\$ 1,390,550</u>	<u>\$ 3,217,540</u>	<u>\$ 583,639</u>	<u>\$ 22,461,521</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, 2008

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 257,800	\$ 24,264	\$ 6,562,619
Other state sources	3,395,518	2,496,034	524,229
Other local sources	243,061	85,322	1,565,721
Total Revenues	3,896,379	2,605,620	8,652,569
EXPENDITURES			
Current			
Instruction	2,425,937	1,463,022	-
Instruction-related activities:			
Supervision of instruction	1,960	-	-
School site administration	950,098	211,702	-
Pupil Services:			
Food services	-	21,698	7,673,830
All other pupil services	111,642	27,717	-
General administration:			
All other general administration	82,429	47,007	207,550
Plant services	152,024	114,375	460,533
Facility acquisition and construction	-	224,748	-
Debt service			
Principal	-	34,947	-
Interest and other	-	-	-
Total Expenditures	3,724,090	2,145,216	8,341,913
Excess (Deficiency) of Revenues Over Expenditures	172,289	460,404	310,656
Other Financing Sources (Uses):			
Transfers in	161,315	-	-
Other sources	-	21,625	-
Transfers out	-	-	-
Net Financing Sources (Uses)	161,315	21,625	-
NET CHANGE IN FUND BALANCES	333,604	482,029	310,656
Fund Balance - Beginning	902,490	156,071	1,079,679
Fund Balance - Ending	\$ 1,236,094	\$ 638,100	\$ 1,390,335

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	COP Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
696,786	-	-	-	43,598	-
107,458	73,390	2,665,220	81,248	3,391,062	967
804,244	73,390	2,665,220	81,248	3,434,660	967
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	155,676	-	-	-
498,394	-	187,559	45,301	-	-
888,860	-	1,018,387	661,600	-	-
-	-	-	-	710,000	370,000
-	-	-	-	2,076,830	893,719
1,387,254	-	1,361,622	706,901	2,786,830	1,263,719
(583,010)	73,390	1,303,598	(625,653)	647,830	(1,262,752)
764,943	-	-	-	-	979,606
-	-	-	-	-	-
-	-	(1,013,498)	-	-	-
764,943	-	(1,013,498)	-	-	979,606
181,933	73,390	290,100	(625,653)	647,830	(283,146)
2,282,751	1,425,495	5,093,407	2,014,273	2,569,710	866,785
\$ 2,464,684	\$ 1,498,885	\$ 5,383,507	\$ 1,388,620	\$ 3,217,540	\$ 583,639

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, 2008

	Total Non-Major Governmental Funds
REVENUES	
Federal sources	\$ 6,844,683
Other state sources	7,156,165
Other local sources	8,213,449
Total Revenues	<u>22,214,297</u>
EXPENDITURES	
Current	
Instruction	3,888,959
Instruction-related activities:	
Supervision of instruction	1,960
School site administration	1,161,800
Pupil Services:	
Food services	7,695,528
All other pupil services	139,359
General administration:	
All other general administration	492,662
Plant services	1,458,186
Facility acquisition and construction	2,793,595
Debt service	
Principal	1,114,947
Interest and other	2,970,549
Total Expenditures	<u>21,717,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>496,752</u>
Other Financing Sources (Uses):	
Transfers in	1,905,864
Other sources	21,625
Transfers out	(1,013,498)
Net Financing Sources (Uses)	<u>913,991</u>
NET CHANGE IN FUND BALANCES	1,410,743
Fund Balance - Beginning	16,390,661
Fund Balance - Ending	<u><u>\$ 17,801,404</u></u>

See accompanying note to supplementary information - unaudited.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

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, 2008, which collectively comprise Madera Unified School District's basic financial statements and have issued our report thereon dated December 1, 2008. 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 Findings and Questioned Costs as items 2008-1 through 2008-5.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated December 1, 2008.

Madera Unified School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Madera Unified School District's responses 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.

Vanninck, Uline, Day & Co., LLP

Fresno, California
December 1, 2008



**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, 2008. 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.

As described in items 2008-1 and 2008-2 in the accompanying Schedule of Findings and Questioned Costs, Madera Unified School District did not comply with requirements regarding allowability specifically related to time certifications that are applicable to its Title I and Title II Teacher Quality Programs. Compliance with such requirements is necessary, in our opinion, for Madera Unified School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2008-1 and 2008-2 to be significant deficiencies.

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.

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

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

Fresno, California
December 1, 2008



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, 2008, and have issued our report thereon dated December 1, 2008. 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 2007-08*, 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	Not Applicable
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School district bonds	3	Yes
State school facilities funds	1	Yes
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
Mathematics and Reading Professional Development	4	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
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	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

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
December 1, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Unqualified for all major programs except for the following programs which were qualified:	
<u>84.010</u>	<u>Title I, Part A Basic Grant</u>
<u>84.367</u>	<u>Title II, Part A Teacher Quality</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A Basic Grant</u>
<u>84.367</u>	<u>Title II, Part A Teacher Quality</u>
<u>CML-6414 (002)</u>	<u>Local Assistance Congestion Mitigation &</u>
	<u>Air Quality (bus purchases)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 570,265</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, 2008**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2008-1 50000

Title I, Part A, Basic Grant

CFDA Number: 84.010

U.S. Department of Education

Pass Through Entity: California Department of Education

Pass Through Number: 13797

Criteria

The time documentation compliance requirements of the Office of Management and Budget's (OMB) Circular A-87, as revised in February of 1996, prescribe a time certification process that is to be followed by all employees whose salaries are charged to Federal programs. The California Department of Education's substitute time certification process as approved by the OMB require that for an employee whose salary is charged to more than one source (i.e. Migrant and Regular Unrestricted Funds), a monthly activity log to support the percents charged to each source must be maintained every fourth month or an administrative certification must be completed every fourth month. These time logs are to be compared to the actual percentage charged to the sources and if the variance is more than ten percent, the charges must be adjusted.

Employees who are charged fully to one Federal program or funding objective (employees participating in a School-Wide project site whose salaries are charged to programs included in the School-Wide plan) are to certify semi-annually that they have worked solely in the program(s) to which their salary was charged or have administrative certification.

Condition

The time documentation compliance requirements as noted above are not being followed for all positions charged to the Title I program that are multi-funded. A minority of changes fall into this category.

Questioned Costs

Questioned Cost: \$135,350

Likely Questioned Cost: \$0

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

The questioned cost was based on the total multi-funded salaries and benefits charged to Title I. The likely questioned cost is based on the status of the sites as School Wide Programs in which Title I funds may be applied to the entire site. In addition the employees' calendars and lesson plans were examined to verify that time was spent at schoolwide sites and/or Title I based activities.

Prevalence

The questioned cost was based on the total multi-funded salaries and benefits charged to the program.

Effect

The District could be required to reimburse the awarding agency for any questioned costs.

Cause

The District has been in compliance with all time documentation requirements over the past several years, however, due to changes in administration; there was an oversight during the current year in regards to obtaining the proper documentation for time certifications as required by OMB Circular A-87.

Recommendation

The District should enact procedures to ensure that all employees prepare the require time documentation as noted above.

District Response

Every school within Madera Unified receives Title I, Part A, funds. As such, time accounting for personnel has been a routine procedure embedded within our system for a number of years.

Administrators work with School Site Councils (SSC) to determine how funds are to be used and how much to allocate for personnel costs. Part of the annual discussion requires each SSC to allocate the funds according to the needs of students in priority order. School Site Councils approve the budget, along with personnel costs, and forward the budget to the business office to set up the accounts according to each funding source.

At the beginning of the year log books are provided for categorically funded personnel at all sites. Administrators are provided with guidelines regarding the monitoring of site personnel.

Title I staff have historically provided site administration with log books showing how their time was allocated serving students or the school community at each school site. Semi-annual reviews were conducted during the 2007-2008 school year where all site administrators checked the personnel and their respective funding sources for accuracy. During the 2007-2008 school year one additional review was requested and completed for all school site personnel budgets. It is our belief that the additional administrative review and certification of staffing costs and percentages met the requirement of the time accounting regulations.

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

2008-2009 School Year

In effort to increase our efficiency, we have instituted new requirements this year that all categorically funded personnel personally review and sign a time accounting log on a quarterly basis.

School Site administrators are provided with detailed accounting of all personnel charged to categorical funds at the beginning of the year and the identification of the funding resources. Routine reviews are conducted through the business office and the categorical office to ensure personnel are appropriately identified in the school's allocation.

It is our hope that our plan to increase the monitoring of our categorically funded personnel from a semi-annual accounting to a quarterly accounting will demonstrate our desire to improve our current system.

2008-2 50000

Title II, Part A, Teacher Quality

CFDA Number: 84.367

U.S. Department of Education

Pass Through Entity: California Department of Education

Pass Through Number: 14341

Criteria

The time documentation compliance requirements of the Office of Management and Budget's (OMB) Circular A-87, as revised in February of 1996, prescribe a time certification process that is to be followed by all employees whose salaries are charged to Federal programs. The California Department of Education's substitute time certification process as approved by the OMB require that for an employee whose salary is charged to more than one source (i.e. Migrant and Regular Unrestricted Funds), a monthly activity log to support the percents charged to each source must be maintained every fourth month or an administrative certification must be completed every fourth month. These time logs are to be compared to the actual percentage charged to the sources and if the variance is more than ten percent, the charges must be adjusted.

Employees who are charged fully to one Federal program or funding objective (employees participating in a School-Wide project site whose salaries are charged to programs included in the School-Wide plan) are to certify semi-annually that they have worked solely in the program(s) to which their salary was charged or have administrative certifications.

Condition

The time documentation compliance requirements as noted above are not being followed for all positions charged to the Title II program.

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Questioned Costs

Questioned Cost: \$96,458
Likely Questioned Cost: \$0

The questioned cost was based on the total multi-funded salaries and benefits charged to Title II. The likely questioned cost is based on the status of the sites as School Wide Programs in which Title II funds may be applied to the entire site. In addition the employees' calendars and lesson plans were examined to verify that time was spent at schoolwide sites and/or Title II based activities.

Prevalence

The questioned cost was based on the total multi-funded salaries and benefits charged to the program.

Effect

The District could be required to reimburse the awarding agency for any questioned costs.

Cause

The District has been in compliance with all time documentation requirements over the past several years, however, due to changes in administration; there was an oversight during the current year in regards to obtaining the proper documentation for time certifications as required by OMB Circular A-87.

Recommendation

The District should enact procedures to ensure that all employees prepare the require time documentation as noted above.

District Response

Time accounting for personnel charged to categorical funds has been part of the accountability process for Madera Unified for a number of years.

School administrators are provided with guidelines to ensure accuracy and consistency across our District. Each year a portion of the initial meetings are dedicated to the accountability requirements of the funding sources within our District and at each school site.

Semi-annual certification has been an approved process for our District to ensure the accuracy of the funding sources for site personnel. During the 2007-2008 school year, we conducted a third certification of all school site personnel and their respective funding sources and the percentages assigned to each category. It is our belief that we met the requirement of an administrative certification completed every fourth month by conducting the review three times during the 2007-2008 school year.

MADERA UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

2008-2009 School Year

We have initiated new requirements of all personnel funded out of categorical funds for the 2008-2009 school year. We want to improve our previous system of time accounting and have created new forms so that all site administrators receive a budget report showing all personnel and the resource (s) charged for each person. Site administrators will verify the funding sources and then will ask each person to review their respective categorical funding source (s), sign the document, keep a copy on file and submit a copy to the categorical office.

MADERA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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>
10000	Attendance
40000	State Compliance

2008-3 10000

Annual Attendance

Criteria

According to *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA and supplemental instructional hours reported. [Education Code Sections 41341(a)(1) and 14503(a)]

Condition

During our audit of the District's Annual Report of School District Attendance, we found that the District inadvertently reported the amount of Supplemental Instructional Hours for grades 7-12 remedial instruction program line (A-2) during the year. The error on the Annual Report of School District Attendance understated the hours by 3,404.

Effect

The total understatement of the supplemental instructional hours on the Annual Report of School District Attendance of 3,404 hours results in a questioned cost of \$14,207 based on recalculated funding below:

	<u>Revised Annual</u>				<u>Original Annual</u>			
	Hours	Rate	Factor	Funding	Hours	Rate	Factor	Funding
Grades 7-12								
Remedial								
Instruction	165,282	\$ 4.08	----	\$674,351	161,800	\$ 4.08	----	\$ 660,144
		Total revised funding		674,351		Total original funding		\$ 660,144
		Less original funding		660,144				
		Effect on funding		<u>\$ 14,207</u>				

Cause

The preparer of the Annual Report of School District Attendance inadvertently reported the hours.

MADERA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

The District should revise the Annual Report of School District Attendance to reflect the audited supplemental instructional hours.

District Response

The Annual Attendance Report has been corrected and submitted to the State. The correction was included in the 2007-2008 unaudited actuals.

2008-2009 School Year

The procedures have been reviewed and the necessary changes addressed to improve the accuracy of future reporting.

2008-4 40000

K-3 Class Size Reduction

Criteria

The K-3 Class Size Reduction program provides incentive funding for Districts that reduce the average enrollment of students to below 20 in kindergarten through third grade classes. Annually, Districts must submit a J-7 CSR Report to the State to receive funding for participating classes.

Condition

During our audit of the District's participation in the K-3 Class Size Reduction program, we found that the District underreported the number of classes that participated in the program during the year. The errors on the Form J-7 CSR Report understated the number of second grade class the District reported 13 classes of 18 students and should have reported 14 classes of 18 students. In addition, the combination class breakdown by grade was incorrect. The Kindergarteners were overstated by 20 and the first graders were understated by 20.

Effect

The total understatement of average enrollment on the J-7 CSR Report of 18 results in additional funding of \$19,278 based on funding of \$1,071 per unit of average enrollment. There is no questioned cost for the breakdown by grade of the combination classes.

Cause

The preparer of the J-7 CSR Report miscounted the number of second grade classes, and the number of Kindergarteners and first graders in a combination class.

MADERA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

The District should revise the J-7 CSR Report to reflect the audited class and student counts, and accrue a liability for the amount of the questioned cost. The District should also implement procedures to ensure that future J-7 CSR Reports are prepared correctly.

District Response

The J-7 CSR Report has been corrected and submitted to the State. The correction was included in the 2007-2008 unaudited actuals.

2008-2009 School Year

The procedures have been reviewed and the spreadsheets used to prepare the report have been revised to include additional checks and balances.

2008-5 40000

Morgan-Hart Class Size Reduction

Criteria

The Morgan-Hart Ninth Grade Class Size Reduction program provides incentive funding for Districts that reduce the average enrollment of students in English and Mathematics. Annually, Districts must submit a J-9 MH-A Report to the State to receive funding for participating classes.

Condition

During our audit of the District's participation in the Morgan-Hart Ninth Grade Class Size Reduction program, we found that the District underreported the average number of students. The errors on the form J-9 MH-A understated the average number of English students by 46 and understated the average number of Math students by 6 students.

Effect

The total understatement of average number of students on the form J-9 MH-A 52 students results in additional funding of \$11,076 based on funding of \$213 per full year equivalent enrollment.

Cause

The preparer of the form J-9 MH-A used an incorrect summary spreadsheet for one site in preparing the form.

MADERA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

The District should revise the form J-9 MH-A to reflect the audited average number of students. The District should also implement procedures to ensure that future J-9 MH-A forms are prepared correctly.

District Response

The Morgan Hart Class Size Reduction Report has been corrected and submitted to the State. The correction was included in the 2007-08 unaudited actuals.

2008-09 School Year

The procedures have been reviewed and the spreadsheets used to prepare the report have been revised to include additional checks and balances.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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

State Award Findings

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.

Current Status

Implemented.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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.

Current Status

Implemented.

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.

Current Status

Implemented.

