

**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

MADERA UNIFIED SCHOOL DISTRICT
OF MADERA COUNTY
MADERA, CALIFORNIA
JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Michael H. Westley	President	2010
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Kathleen Lopes	Associate Superintendent, Educational Services
Kelly Porterfield	Associate Superintendent, Business and Operations
Robert Chavez	Chief Academic Officer, K-12
Darren Sylvia	Chief Academic Officer, K-12
Jake Bragonier	Public Information Officer

MADERA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2009

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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, 2009, 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 2008-09*, 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, 2009, 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.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, 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 and other postemployment information on pages 55 and 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.

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*, and 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 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.

Varrinck, Trime, Yang & Co. LLP

Fresno, California
December 15, 2009



MADERA UNIFIED SCHOOL DISTRICT

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2008-09

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Michael H. Westley, President
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Michael Salvador, Trustee
Ray G. Seibert, Trustee

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, 2009.

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:

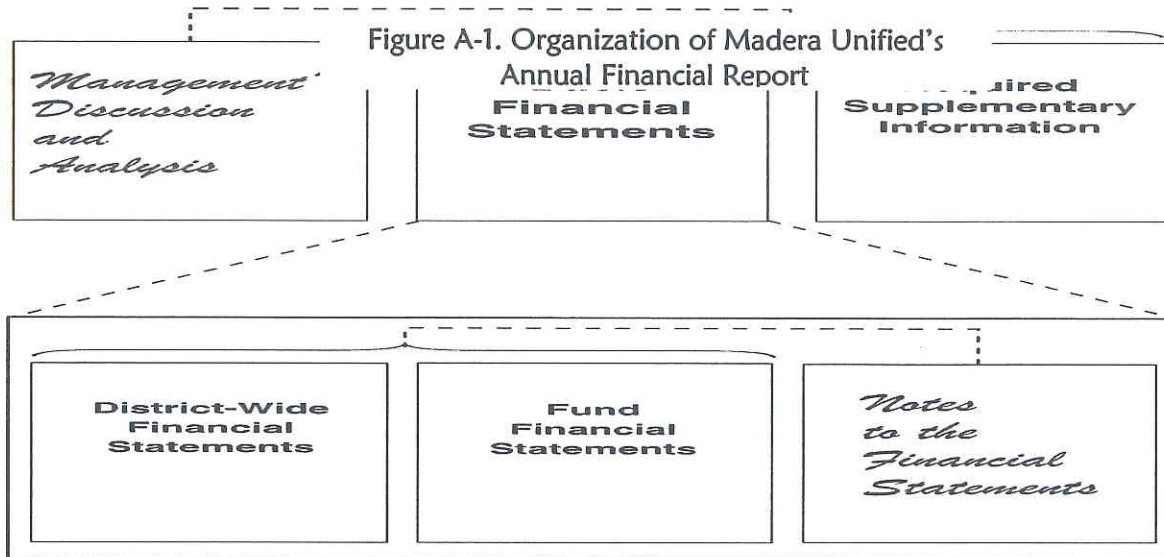
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations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

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

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09



Summary **Detail**

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09

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 2008-09

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 2008-09 year were \$174.5 million.
- Overall revenues were \$174.9 million, approximately \$8.4 million more than expenses.
- The District's net capital assets increased from \$199.4 million to \$201.0 million; a 1% increase over prior year. This was due to the completion of construction projects at Parkwood Elementary and the portable projects at Lavina and Millview Schools .

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were significantly larger on June 30, 2009, than they were the year before, increasing more than 5.1% percent to \$174.5 million. (see Table A-1.) This improvement in the District's financial position came from its governmental activities, the net assets of which grew \$8.4 million.

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

	Governmental Activities		
	2009	2008	Change
Current and Other Assets	\$ 88.5	\$ 80.0	\$ 8.5
Capital Assets	201.0	199.4	1.6
Total Assets	289.5	279.4	10.1
Long-Term Obligations Outstanding	99.5	99.5	-
Other Liabilities	15.5	13.8	1.7
Total Liabilities	115.0	113.3	1.7
Invested in Capital Assets, net of related debt	103.8	103.4	0.4
Restricted	33.7	49.4	(15.7)
Unrestricted	37.0	13.3	23.7
Total Net Assets	\$ 174.5	\$ 166.1	\$ 8.4

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09

Changes in net assets. The District's total governmental revenues were \$174.9 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 \$91.2 million and property taxes contributing about \$22.4 million. Another \$52.0 million came from categorical programs and capital grants, \$2.4 million came from fees charged for services, and \$6.9 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$166.5 million. The District's expenses are predominantly related to educating and caring for students (81.0%). The purely administrative activities of the District accounted for just 4.7% of total costs. Maintenance, operations, facility acquisition and construction expenses account for 10.0% of the District's expenses.

Total revenues surpassed expenses, increasing net assets \$8.4 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		
	2009	2008	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 91.2	\$ 93.2	\$ (2.0)
Property Taxes	22.4	23.1	(0.7)
Other	6.9	7.8	(0.9)
Program Revenues:			
Charges for Services	2.4	3.0	(0.6)
Categorical Revenues and Capital Grants	52.0	57.5	(5.5)
Total Revenues	<u>174.9</u>	<u>184.6</u>	<u>(9.7)</u>
Expenses:			
Instruction Related	113.9	120.0	(6.1)
Pupil Services	20.9	20.7	0.2
General Administration	7.8	7.6	0.2
Plant Services	16.7	17.0	(0.3)
Other	7.2	7.2	-
Total Expenses	<u>166.5</u>	<u>172.5</u>	<u>(6.0)</u>
Increase (Decrease) in Net Assets	<u><u>\$ 8.4</u></u>	<u><u>\$ 12.1</u></u>	<u><u>\$ (3.7)</u></u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09

GOVERNMENTAL ACTIVITIES

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

- Revenue Limit Funding was 1.7% lower than 2007-08, and new federal stimulus funding was added to the 2008-09 budget. The additional funding helped to retain jobs in 2009-10 and maintain a 24.5:1 student teacher ratio in grades K-3 rather than staffing at the maximum levels.
- Budget cuts were made to the General Fund to balance the 2009-10 Adopted Budget. .
- The Net Capital Assets increased \$1.5 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	
	2009	2008	2009	2008
Instruction	113.9	120.0	\$ 77.2	\$ 80.0
Student Transportation	5.5	5.6	1.6	1.0
Food Services	8.0	7.7	(0.4)	(0.2)
All Other Pupil Services	7.4	7.4	5.2	5.1
General Administration	7.7	7.6	6.9	6.8
Plant Services	16.7	17.0	15.3	15.2
Other	7.2	7.2	6.3	4.1
Total	\$ 166.4	\$ 172.5	\$ 112.1	\$ 112.0

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 \$71.4 million; this is \$6.9 million higher than last year since only current assets are reported in the governmental funds.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09

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 between the adopted budget and the unaudited actuals:

- \$2.1 million decrease in Revenue Limit due to a mid-year Revenue Limit deficit factor increase from 5.357% to 7.844% of the funded COLA.
- Federal revenues were \$5.7 million higher than the adopted budget due to new one-time federal stimulus money being received towards the end of the fiscal year.
- While State revenues were \$35,907 higher than the adopted budget, several State programs were reduced 14.84% with new flexibility options available through 2012-13.
- Local revenues were \$1.2 million higher than the adopted budget due to increases in interest, interagency revenue, and other local sources revenues received.
- Actual expenditures were \$3.2 million below adopted budget primarily due to the hiring and spending freeze implemented in response to the mid-year State funding crisis.
- Increased the district's undesignated ending balance by \$3.4 million in response to the State funding crisis.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009, the District had invested \$201.0 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 \$1.6 million or 0.8% over last year. Total accumulated depreciation for the year exceeded \$51.8 million.

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

	Governmental Activities		Total
	2009	2008	Percentage Change
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	6.5	4.2	54.8%
Construction in Progress	5.6	16.7	-66.5%
Buildings	170.5	159.3	7.0%
Furniture and Equipment	4.6	5.4	-14.8%
Totals	<u>\$ 201.0</u>	<u>\$ 199.4</u>	<u>0.8%</u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09

LONG-TERM OBLIGATIONS

At year-end the District had \$99.5 million long-term obligations outstanding - an increase of 0.1% from last year - as shown in Table A-5.

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

	Governmental Activities		Total
	2009	2008	Percentage Change
General Obligation Bonds	\$ 74.7	\$ 74.6	0.1%
Certificates of Participation	17.9	18.0	-0.6%
Capital Leases Payable	2.7	3.0	-10.0%
Other Long-Term Obligations	1.9	2.6	-26.9%
Compensated Absences	1.3	1.3	0.0%
Other Postemployment Benefits	1.1	-	0.0%
Total	\$ 99.6	\$ 99.5	0.1%

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. The rates for active employees increased 9.3% in 2009-10, the current District Contribution is \$12,440 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 funding post employment benefits for retirees per GASB 45.
- The reduction in Developer Fee revenue due to the changes in the current economy.
- Changing enrollment trends reflecting growth at a much slower pace than previous years.
- The financial impact of the Voting Rights Act lawsuit.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2008-09

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, 2009

	Governmental Activities
<hr/>	
ASSETS	
Deposits and investments	\$ 62,752,602
Receivables	23,856,023
Prepaid expenses	1,298,525
Stores inventories	580,977
Nondepreciable capital assets	19,316,308
Depreciable capital assets	233,520,928
Accumulated depreciation	(51,841,990)
Total Assets	<hr/> 289,483,373 <hr/>
LIABILITIES	
Accounts payable	12,145,732
Deferred revenue	3,302,721
Current portion of long-term obligations	2,167,326
Noncurrent portion of long-term obligations	97,374,171
Total Liabilities	<hr/> 114,989,950 <hr/>
NET ASSETS	
Invested in capital assets, net of related debt	103,812,077
Restricted for:	
Debt service	3,399,238
Capital projects	12,983,064
Educational programs	10,228,044
Other activities	6,716,638
Self-insurance	384,672
Unrestricted	36,969,690
Total Net Assets	<hr/> \$ 174,493,423 <hr/>

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 93,329,980	\$ 411,971	\$ 26,929,299	\$ 1,240,114
Instruction-related activities:				
Supervision of instruction	4,104,481	404	3,889,486	-
Instructional library, media and technology	1,447,080	2,675	731,984	-
School site administration	15,105,229	116,010	3,458,690	-
Pupil services:				
Home-to-school transportation	5,482,904	390,177	3,518,688	-
Food services	8,027,998	1,132,035	7,307,956	-
All other pupil services	7,379,315	37,552	2,160,628	-
General administration:				
Data processing	1,350,131	-	-	-
All other general administration	6,404,562	36,783	770,639	-
Plant services	16,651,836	87,962	1,262,177	-
Ancillary services	1,902,818	27,147	61,860	-
Community services	12,137	-	-	-
Interest on long-term obligations	4,746,727	-	-	-
Other outgo	532,329	158,869	633,481	-
Total Governmental-Type Activities	\$ 166,477,527	\$ 2,401,585	\$ 50,724,888	\$ 1,240,114
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**

\$ (64,748,596)

(214,591)

(712,421)

(11,530,529)

(1,574,039)

411,993

(5,181,135)

(1,350,131)

(5,597,140)

(15,301,697)

(1,813,811)

(12,137)

(4,746,727)

260,021

(112,110,940)

19,468,080

2,951,215

478,281

91,174,040

1,428,076

285,210

4,711,901

120,496,803

8,385,863

166,107,560

\$ 174,493,423

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2009

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 23,051,930	\$ 16,470,225	\$ 22,845,775
Receivables	22,168,704	-	1,687,319
Due from other funds	1,438,468	-	622,816
Prepaid expenditures	73,590	-	-
Stores inventories	401,892	-	179,085
Total Assets	\$ 47,134,584	\$ 16,470,225	\$ 25,334,995
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,348,145	\$ -	\$ 797,587
Due to other funds	622,816	-	1,438,468
Deferred revenue	3,302,721	-	-
Total Liabilities	15,273,682	-	2,236,055
FUND BALANCES			
Reserved for:			
Revolving cash	25,000	-	3,140
Stores inventories	162,037	-	179,085
Prepaid expenditures	73,590	-	-
Legally restricted balance	10,228,044	-	-
Unreserved:			
Designated	7,084,221	-	112,022
Undesignated, reported in:			
General Fund	14,288,010	-	-
Special revenue funds	-	-	6,422,391
Debt service funds	-	-	3,399,238
Capital projects funds	-	16,470,225	12,983,064
Total Fund Balance	31,860,902	16,470,225	23,098,940
Total Liabilities and Fund Balances	\$ 47,134,584	\$ 16,470,225	\$ 25,334,995

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

Total Governmental Funds	
\$	62,367,930
	23,856,023
	2,061,284
	73,590
	580,977
\$	88,939,804
\$	12,145,732
	2,061,284
	3,302,721
	17,509,737
	28,140
	341,122
	73,590
	10,228,044
	7,196,243
	14,288,010
	6,422,391
	3,399,238
	29,453,289
	71,430,067
\$	88,939,804

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MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2009

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

Total Fund Balance - Governmental Funds **\$ 71,430,067**

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	\$ 252,837,236	
Accumulated depreciation is	<u>(51,841,990)</u>	
Total capital assets		200,995,246

Expenditures relating to issuance of debt were recognized in the modified accrual basis, but are amortized over the life of the debt in the accrual basis. Unamortized prepaid expenditures relating to debt costs are:

1,224,935

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

384,672

Long-term liabilities at year end consist of:

General obligation bonds	(74,678,977)	
Certificates of participation	(17,890,000)	
State preschool loan program	(348,456)	
Capital lease obligations	(2,709,132)	
Compensated absences	(1,277,020)	
Early retirement incentive obligation	(1,556,604)	
Other postemployment benefits	<u>(1,081,308)</u>	
Total long-term liabilities		(99,541,497)
Total Net Assets - Governmental Activities		<u>\$ 174,493,423</u>

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

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 100,128,037	\$ -
Federal sources	17,000,761	-
Other state sources	27,986,191	-
Other local sources	7,450,289	493,021
Total Revenues	152,565,278	493,021
EXPENDITURES		
Current		
Instruction	86,717,130	-
Instruction-related activities:		
Supervision of instruction	4,082,578	-
Instructional library, media and technology	1,432,527	-
School site administration	13,327,174	-
Pupil Services:		
Home-to-school transportation	4,776,298	-
Food services	-	-
All other pupil services	7,170,390	-
General administration:		
Data processing	1,080,005	-
All other general administration	5,879,230	-
Plant services	14,761,741	-
Facility acquisition and construction	944,284	-
Ancillary services	1,901,570	-
Community services	12,137	-
Other outgo	532,329	-
Debt service		
Principal	263,092	-
Interest and other	301,105	-
Total Expenditures	143,181,590	-
Excess (Deficiency) of Revenues Over Expenditures	9,383,688	493,021
Other Financing Sources (Uses):		
Transfers in	15,056	-
Other sources	1,052,701	-
Transfers out	-	(841,651)
Net Financing Sources (Uses)	1,067,757	(841,651)
NET CHANGE IN FUND BALANCES	10,451,445	(348,630)
Fund Balance - Beginning	21,409,457	16,818,855
Fund Balance - Ending	\$ 31,860,902	\$ 16,470,225

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 100,128,037
7,470,552	24,471,313
7,702,851	35,689,042
6,591,372	14,534,682
<u>21,764,775</u>	<u>174,823,074</u>
3,806,991	90,524,121
2,144	4,084,722
-	1,432,527
1,237,465	14,564,639
-	4,776,298
7,930,825	7,930,825
158,564	7,328,954
-	1,080,005
475,031	6,354,261
1,005,762	15,767,503
5,630,240	6,574,524
-	1,901,570
-	12,137
-	532,329
1,466,333	1,729,425
3,000,960	3,302,065
<u>24,714,315</u>	<u>167,895,905</u>
<u>(2,949,540)</u>	<u>6,927,169</u>
1,822,670	1,837,726
(1,075,354)	(22,653)
(996,075)	(1,837,726)
<u>(248,759)</u>	<u>(22,653)</u>
(3,198,299)	6,904,516
26,297,239	64,525,551
<u>\$ 23,098,940</u>	<u>\$ 71,430,067</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, 2009

Total Net Change in Fund Balances - Governmental Funds \$ 6,904,516

**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	\$ 6,830,379	
Depreciation expense	<u>(5,256,479)</u>	1,573,900

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). (16,329)

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). 657,352

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	95,000
General obligation bonds	1,295,000
Capital lease obligations	263,092
State Preschool Revolving Loan	76,333

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	(56,507)	
Amortization of bond premium	<u>51,865</u>	
Combined adjustment		(4,642)

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, 2009

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.

\$ (1,388,155)

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 fund is inactive with the exception of interest income. The net income of the internal service fund is eliminated in the government-wide statements as it was internally generated.

11,104

In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(1,081,308)

Change in Net Assets of Governmental Activities

\$ 8,385,863

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, 2009

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 384,672
Total Assets	<u>384,672</u>
LIABILITIES	
Current Liabilities	-
Total Current Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	384,672
Total Net Assets	<u>\$ 384,672</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, 2009

**Governmental
Activities -
Internal
Service Fund**

OPERATING REVENUES

Charges for services

\$ -

Total Operating Revenues

-

NONOPERATING REVENUES

Interest income

11,104

Total Nonoperating Revenues

11,104

Income Before Capital Contributions and Transfers

11,104

Change in Net Assets

11,104

Total Net Assets - Beginning

373,568

Total Net Assets - Ending

\$ 384,672

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, 2009

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 11,104
Net Cash Provided by Investing Activities	<u>11,104</u>
Net increase in cash and cash equivalents	11,104
Cash and cash equivalents - Beginning	373,568
Cash and cash equivalents - Ending	<u>\$ 384,672</u>

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2009

	Scholarship Trusts	Agency Funds
ASSETS		
Deposits and investments	\$ 127,512	\$ 345,916
Total Assets	<u>127,512</u>	<u>\$ 345,916</u>
LIABILITIES		
Due to student groups		
Dixieland		\$ 10,912
Jefferson	-	6,594
King	-	15,803
La Vina	-	827
Washington	-	734
Madera High	-	157,178
Ripperdan High	-	5,710
FBLA Allow Card	-	205
Desmond Middle	-	18,207
Mountain Vista High School	-	180
Madera South High	-	129,566
Total Liabilities	<u>-</u>	<u>\$ 345,916</u>
NET ASSETS - RESERVED		
Lorraine Thompson Scholarship	51,865	
Student Government Scholarship	6,857	
Albonico Scholarship	9,330	
E. L. L. Scholarship	2,030	
Ray Pool Scholarship	443	
Gomez-Vidal Scholarship	2,488	
J. Desmond Scholarship	120	
Michael A. Wong Class 85' Scholarship	1,000	
Dave Schoettler Mem Scholarship	4,415	
Esperanza Scholarship	1,004	
K. Roberts Memorial Scholarship	120	
J. Hinton Scholarship	250	
Science and Health Scholarship	438	
FCCLA Scholarship	296	
Binger Scholarship	2,235	
Cardenazzi Roberts Scholarship	7,326	
Mike Young Scholarship	335	
Rodger Scott Mem Scholarship	600	
School of Business Scholarship	500	
Joan Davis Scholarship	707	
Madera Lions Club	34,753	
ECV Clampers Danny Goldbeck Memorial	400	
Total Net Assets	<u>\$ 127,512</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, 2009

	Scholarship Trusts
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 897
Student Government Scholarship	4,378
Albonico Scholarship	1,028
Ray Pool Scholarship	3
Anna Guzman Mem Scholarship	51
Michael A Wong Class 85' Scholarship	1,000
Dave Schoettler Mem Scholarship	500
Esperanza Scholarship	5
J. Hinton Scholarship	600
FCCLA Scholarship	224
Binger Scholarship	65
Cardenazzi Roberts Scholarship	372
Joan Davis Scholarship	400
Madera Lions Club	1,513
ECV Clampers Danny Goldbeck Memorial	900
Total Additions	11,936
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	1,150
Student Government Scholarship	627
Albonico Scholarship	1,200
E.L.L. Scholarship	1,590
Ray Pool Scholarship	3,000
Gomez-Vidal Scholarship	4,001
Anna Guzman Mem Scholarship	500
Michael A. Wong Class 85' Scholarship	4,500
Dave Schoettler Mem Scholarship	1,000
FMC Food Tech Scholarship	10,000
Esperanza Scholarship	2,000
J. Hinton Scholarship	1,000
FCCLA Scholarship	750
Cardenazzi Roberts Scholarship	3,000
Mike Young Scholarship	500
Joan Davis Scholarship	1,200
Madera Lions Club	2,000
ECV Clampers Danny Goldbeck Memorial	500
Total Deductions	38,518
Change in Net Assets	\$ (26,582)
Net Assets - Beginning	154,094
Net Assets - Ending	\$ 127,512

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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.

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:

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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.

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.

Special Reserve Non-Capital Fund The Special Reserve Non-Capital Fund 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).

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund 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 on a cost-reimbursement basis. The District's Self Insurance Fund is accounted for in an internal service fund. The Fund is currently inactive with the exception of interest income.

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. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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 the 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 financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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, 2009

Investments

Investments held at June 30, 2009, 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.

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 Inventories

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, 2009

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.

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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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, 2009

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 \$33,711,656 of restricted net assets, of which \$30,756,691 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Property Tax

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

Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires 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 established 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.

This Statement provided 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 has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District's annual required contribution (ARC) was \$2,775,723 for the year ended June 30, 2009, and made a contribution of \$1,441,147, which was less than the actuarial "pay-as-you-go" costs. The actuarial estimated "pay-as-you-go" amount of \$1,694,415 was deducted from the ARC which resulted in a net OPEB obligation of \$1,081,308.

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 62,752,602
Fiduciary funds	474,428
Total Deposits and Investments	<u>\$ 63,227,030</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 404,607
Cash in revolving	28,140
Investments	62,793,283
Total Deposits and Investments	<u>\$ 63,226,030</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, 2009

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 having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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
County Pool	\$ 62,793,283	\$ 62,793,283	\$ -	\$ -	\$ -

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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
County Pool	\$ 62,793,283	N/A	\$ -	\$ -	\$ 62,793,283

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 agency. 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, 2009, the District's bank balance of \$437,631 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, 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	\$ 5,454,675	\$ 1,238,397	\$ 6,693,072
State Government			
Apportionment	11,711,554	-	11,711,554
Categorical aid	3,181,742	376,653	3,558,395
Lottery	599,368	-	599,368
Local Sources	1,221,365	72,269	1,293,634
Total Fund Statements	<u>\$ 22,168,704</u>	<u>\$ 1,687,319</u>	<u>\$ 23,856,023</u>

NOTE 4 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2009, consisted of the following:

	General Fund	Total Governmental Activites
Supplies	<u>\$ 73,590</u>	<u>\$ 73,590</u>
Prepaid debt issuance costs		1,224,935
Total prepaid expenses - government-wide statements		<u>\$ 1,298,525</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	16,761,678	4,502,631	15,711,333	5,552,976
Total Capital Assets Not Being Depreciated	30,525,010	4,502,631	15,711,333	19,316,308
Capital Assets being depreciated				
Land improvements	7,263,488	296,429	-	7,559,917
Buildings and improvements	193,347,556	17,361,534	-	210,709,090
Furniture and equipment	15,029,398	381,118	158,595	15,251,921
Total Capital Assets Being Depreciated	215,640,442	18,039,081	158,595	233,520,928
Less Accumulated Depreciation				
Land improvements	383,831	630,840	-	1,014,671
Buildings and improvements	37,352,394	2,820,644	-	40,173,038
Furniture and equipment	9,007,881	1,804,995	158,595	10,654,281
Total Accumulated Depreciation	46,744,106	5,256,479	158,595	51,841,990
Governmental Activities Capital Assets, Net	\$ 199,421,346	\$ 17,285,233	\$ 15,711,333	\$ 200,995,246

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,911,532
School site administration	509,818
Home-to-school transportation	656,468
Food services	54,738
Data processing	263,085
All other general administration	860,838
Total Depreciation Expenses Governmental Activities	\$ 5,256,479

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2009, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 1,438,468	\$ 622,816
Total Major Governmental Funds	1,438,468	622,816
Total Non-Major Funds	622,816	1,438,468
Total All Governmental Funds	<u>\$ 2,061,284</u>	<u>\$ 2,061,284</u>

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

The Building Fund transferred to the County School Facilities Fund for building projects.	\$ 841,651
The Capital Facilities Fund transferred to the General Fund three percent of the developer fees collected for administrative services.	15,056
The Capital Facilities Fund transferred to the COP Debt Service Fund for the required debt service payment.	981,019
Total	<u>\$ 1,837,726</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, 2009

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,305,962	\$ 643,835	\$ 1,949,797
Accrued salaries and benefits	978,969	153,752	1,132,721
Deferred payroll	5,012,650	-	5,012,650
State apportionment	627,157	-	627,157
Health and welfare pass-through	3,423,407	-	3,423,407
Total	<u>\$ 11,348,145</u>	<u>\$ 797,587</u>	<u>\$ 12,145,732</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund
Federal financial assistance	\$ 3,266,381
State categorical aid	18,289
Local sources	18,051
Total	<u>\$ 3,302,721</u>

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 1, 2008, the District issued \$4,945,000 Tax and Revenue Anticipation Notes bearing interest at 3.0 percent. The notes were issued to supplement cash flows. By June 2009, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2008	Additions	Payments	Outstanding June 30, 2009
July 1, 2008	3.00%	July 6, 2009	<u>\$ -</u>	<u>\$4,945,000</u>	<u>\$ -</u>	<u>\$ 4,945,000</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds-2003	\$13,495,000	\$ -	\$ 45,000	\$ 13,450,000	\$ 80,000
General obligation bonds-2005					
Current Interest Bonds	11,685,000	-	710,000	10,975,000	785,000
Capital Appreciation Bonds	15,633,108	840,986	-	16,474,094	-
General obligation bonds-2006					
Current Interest Bonds	1,900,000	-	100,000	1,800,000	110,000
Capital Appreciation Bonds	2,110,743	102,589	-	2,213,332	-
General obligation bonds-2007					
Current Interest Bonds	18,690,000	-	440,000	18,250,000	420,000
Capital Appreciation Bonds	9,879,079	444,580	-	10,323,659	-
Premium	1,244,757	-	51,865	1,192,892	51,865
State Preschool Revolving Loan	424,789	-	76,333	348,456	53,682
Certificates of participation-2004	17,985,000	-	95,000	17,890,000	390,000
Compensated absences - net	1,260,691	16,329	-	1,277,020	-
Early retirement programs	2,213,956	108,616	765,968	1,556,604	-
Capital leases	2,972,224	-	263,092	2,709,132	276,779
Other postemployment benefits	-	2,775,723	1,694,415	1,081,308	-
Total	<u>\$99,494,347</u>	<u>\$4,288,823</u>	<u>\$ 4,241,673</u>	<u>\$ 99,541,497</u>	<u>\$2,167,326</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the State School Revolving Loan are made by Child Development Fund. The COP Debt Service Fund makes payments for the Certificates of Participation. The compensated absences, early retirement programs, and other postemployment benefits obligations will be paid by the fund for which the employee worked. Payments on the capital leases are made by the General Fund.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2009
Current Interest Bonds:							
2002 - Series 2003 General Obligation Bonds:							
8/1/2003	8/04-8/28	1-4.90%	\$ 16,200,000	\$ 13,495,000	\$ -	\$ 45,000	\$ 13,450,000
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/06-8/17	3-5%	12,670,000	11,685,000	-	710,000	10,975,000
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2017	3.75-4%	1,915,000	1,900,000	-	100,000	1,800,000
2002 - Series 2007 General Obligation Bonds							
3/1/07	8/07-8/23	4-5%	18,690,000	18,690,000	-	440,000	18,250,000
Capital Appreciation Bonds							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/18-8/29	4.77-5.23%	13,329,104	15,633,108	840,986	-	16,474,094
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,110,743	102,589	-	2,213,332
2002 - Series 2007 General Obligation Bonds							
3/1/07	8/24-8/32	4.41-4.52%	9,308,839	9,879,079	444,580	-	10,323,659
Total				<u>\$ 73,392,930</u>	<u>\$ 1,388,155</u>	<u>\$ 1,295,000</u>	<u>\$ 73,486,085</u>

Debt Service Requirements to Maturity

2002 - Series 2003 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	240,000	631,686	871,686
2015-2019	2,035,000	2,934,809	4,969,809
2020-2024	3,915,000	2,234,724	6,149,724
2025-2029	6,715,000	905,125	7,620,125
Total	<u>\$ 13,450,000</u>	<u>\$ 9,304,308</u>	<u>\$ 22,754,308</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

2002 - Series 2005 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	1,180,000	335,250	1,515,250
2015-2018	6,115,000	648,625	6,763,625
Total	<u>\$ 10,975,000</u>	<u>\$ 2,772,227</u>	<u>\$ 13,747,227</u>

2002 - Series 2006 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	170,000	50,010	220,010
2015-2019	1,105,000	135,850	1,240,850
Total	<u>\$ 1,800,000</u>	<u>\$ 441,100</u>	<u>\$ 2,241,100</u>

2002 - Series 2007 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	800,000	762,588	1,562,588
2015-2019	5,665,000	3,223,802	8,888,802
2020-2024	9,515,000	1,520,250	11,035,250
Total	<u>\$ 18,250,000</u>	<u>\$ 8,802,392</u>	<u>\$ 27,052,392</u>

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 (accrued value) of the bonds including the maturity value of those bonds.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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	\$ 1,259,335	\$ 280,000	\$ 181,552	\$ -	\$ -
2020	2,015,000	1,250,106	295,000	182,369	-	-
2021	2,100,000	1,235,640	305,000	180,072	-	-
2022	2,200,000	1,226,280	325,000	182,715	-	-
2023	2,300,000	1,213,480	335,000	179,394	-	-
2024	2,400,000	1,197,120	350,000	178,780	-	-
2025	2,510,000	1,182,712	365,000	177,382	2,510,000	1,304,698
2026	2,625,000	1,167,075	385,000	178,255	2,620,000	1,299,520
2027	2,740,000	1,154,088	405,000	178,281	2,735,000	1,294,202
2028	2,865,000	1,143,135	425,000	178,075	2,855,000	1,286,463
2029	2,995,000	1,129,115	675,000	202,905	2,985,000	1,284,147
2030	4,650,000	1,655,400	760,000	212,952	3,115,000	1,279,019
2031	4,805,000	1,660,608	-	-	3,255,000	1,275,960
2032	-	-	-	-	3,475,000	1,299,650
Total	<u>\$36,130,000</u>	<u>\$ 16,474,094</u>	<u>\$ 4,905,000</u>	<u>\$ 2,212,732</u>	<u>\$23,550,000</u>	<u>\$ 10,323,659</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
2010	\$ 53,682
2011	53,682
2012	53,682
2013	33,735
2014	33,735
2015-2017	119,940
Total	<u>\$ 348,456</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Certificates of Participation

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, 2009, the principal balance outstanding was \$17,890,000.

Series	Issue Date	Amount Issued	Interest Rates	Balance Beginning of Year	Principal Paid Defeased-Current Year	Outstanding End of Year
2004	5/14/2004	\$ 18,240,000	3.50-5.35%	\$ 17,985,000	\$ 95,000	\$ 17,890,000
Total				\$ 17,985,000	\$ 95,000	\$ 17,890,000

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	455,000	815,769	1,270,769
2015-2019	2,635,000	3,729,065	6,364,065
2020-2024	3,365,000	3,000,315	6,365,315
2025-2029	4,290,000	2,071,564	6,361,564
2030-2034	5,490,000	872,020	6,362,020
Total	\$ 17,890,000	\$ 13,928,159	\$ 31,818,159

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2009, amounted to \$1,277,020.

Early Retirement

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$1,556,604 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$765,968.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Leases
Balance, July 1, 2008	\$ 2,972,224
Payments	263,092
Balance, June 30, 2009	<u>\$ 2,709,132</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	\$ 409,737
2011	409,737
2012	409,737
2013	409,737
2014	409,737
2015-2018	1,277,025
Total	3,325,710
Less: Amount Representing Interest	616,578
Present Value of Minimum Lease Payments	<u>\$ 2,709,132</u>

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution (ARC) was \$2,775,723 for the year ended June 30, 2009, and made a contribution of \$1,441,147, which was less than the actuarial "pay-as-you-go" costs. The actuarial estimated "pay-as-you-go" amount of \$1,694,415 was deducted from the ARC which resulted in a net OPEB obligation of \$1,081,308. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefit plan.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 11 - FUND BALANCES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 25,000	\$ -	\$ 3,140	\$ 28,140
Stores inventory	162,037	-	179,085	341,122
Prepaid expenditures	73,590	-	-	73,590
Restricted programs	10,228,044	-	-	10,228,044
Total Reserved	10,488,671	-	182,225	10,670,896
Unreserved				
Designated				
Other designations	7,084,221	-	112,022	7,196,243
Total Designated	7,084,221	-	112,022	7,196,243
Undesignated	14,288,010	16,470,225	22,804,693	53,562,928
Total Unreserved	21,372,231	16,470,225	22,916,715	60,759,171
Total	\$ 31,860,902	\$ 16,470,225	\$ 23,098,940	\$ 71,430,067

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2009, there were no District major funds that exceeded the budgeted amounts.

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Madera Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 126 retirees and beneficiaries currently receiving benefits and 1,654 active plan members.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, FEA, CSEA and the unrepresented groups. For fiscal year 2008-09, the District contributed \$1,441,147 to the plan, all of which was used for current premiums (approximately 89 percent of total premiums). Plan members receiving benefits contributed \$173,652, or approximately 11 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 2,775,723
Contributions made	(1,694,415)
Increase in net OPEB obligation	1,081,308
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 1,081,308</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 2,775,723	61.04%	\$ 1,081,308

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2007, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2009, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 14 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending 2009, 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 has contracted with California's Valued Trust to provide employee health, dental and vision benefits. Benefits are self funded and are paid out of the assets of the Trust. Each participating school district's contribution to the Trust is determined by the collective bargaining agreement between the individual district and CTA or California School Employees Association and/or by the participating agreement between the district and the Trust with respect to employees not covered by a collective bargaining agreement. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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 the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, 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.

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 2008-2009 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, 2009, 2008, and 2007, were \$5,782,110, \$5,910,334, and \$5,567,007, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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 survivor 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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 2008-2009 was 9.428 percent of covered 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, 2009, 2008, and 2007, were \$1,932,664, \$1,964,149, and \$1,721,184, 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.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,165,793 (4.517 percent of annual payroll). 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 Comparison Schedule*.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

Litigation

The District was involved in one case of litigation in which it was sued under the California Voting Rights Act. That case was resolved and the prevailing party is entitled to an award of their attorney fees. The amount of those fees, however, is in question, and the District will mediate this issue. The amount of the fees is not estimable at this time.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Operating Leases

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

Construction Commitments

As of June 30, 2009, 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	\$ 100,000	2009-10
Future High School	20,000,000	2014-15
Madera South High School Childcare Facility	1,000	2010-11
Eastin Arcola Fencing	11,001	2009-10
Ripperdan High Childcare project	1,000	2010-11
TJ Electrical Project	100,000	2010-11
TJ Portable Project	200,000	2010-11
Washington School Fencing Project	5,640	2010-11
Madera South High School Ag Project	180,000	2009-10
Madera High Pool Project	1,000,000	2011-12
Madera South High School Pool Project	1,500,000	2010-11
Sierra Vista Admin Building Remodel	10,000	2010-11
MHS - Transition Phase Wiring	31,000	2010-11
Total	<u>\$ 23,139,641</u>	

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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

During the year ended June 30, 2009, the District made payment of \$1,907,300 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2009, the District made payment of \$18,745,805 to CVT for health and welfare benefits.

NOTE 18 - SUBSEQUENT EVENT

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

NOTE 19 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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REQUIRED SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts (GAAP Basis)		Actual ¹ (GAAP Basis)	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$102,287,719	\$100,128,037	\$100,128,037	\$ -
Federal sources	11,214,796	25,224,697	17,000,761	(8,223,936)
Other state sources	24,858,282	26,437,158	24,894,189	(1,542,969)
Other local sources	6,201,392	7,601,207	7,450,289	(150,918)
Total Revenues	144,562,189	159,391,099	149,473,276	(9,917,823)
EXPENDITURES				
Current				
Certificated Salaries	69,779,678	71,097,217	69,920,470	1,176,747
Classified salaries	19,609,831	20,132,900	19,611,313	521,587
Employee benefits	31,548,138	31,689,807	31,087,654	602,153
Books and supplies	13,187,276	26,719,913	7,376,924	19,342,989
Services and operating expenditures	8,469,275	13,962,174	10,375,575	3,586,599
Other outgo	280,353	293,182	198,165	95,017
Capital outlay	11,620	2,732,435	1,109,750	1,622,685
Debt service	409,737	409,737	409,737	-
Total Expenditures	143,295,908	167,037,365	140,089,588	26,947,777
Excess (Deficiency) of Revenues Over Expenditures	1,266,281	(7,646,266)	9,383,688	17,029,954
Other Financing Sources (Uses):				
Transfers in	54,608	15,056	15,056	-
Other sources	-	-	1,052,701	1,052,701
Net Financing Sources (Uses)	54,608	15,056	1,067,757	1,052,701
NET CHANGE IN FUND BALANCES	1,320,889	(7,631,210)	10,451,445	18,082,655
Fund Balance - Beginning	21,409,457	21,409,457	21,409,457	-
Fund Balance - Ending	\$ 22,730,346	\$ 13,778,247	\$ 31,860,902	\$ 18,082,655

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

MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 31, 2007	\$ -	\$ 31,004,861	\$ 31,004,861	0.00%	\$ 85,523,838	36.25%

SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

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):			
Adult Education			
Basic	84.002A	14508	\$ 119,552
Secondary Education	84.002A	13978	27,396
Institutionalized Adults	84.002A	13971	27,500
English, Literature & Civics	84.002A	14109	66,868
No Child Left Behind			
Title I - Basic	84.010	14329	6,666,370
Title I - Program Improvement	84.010	14581	248,883
Title I - Part C, Migrant	84.011	14326	44,750
Title I - Part G. Advanced Placement Fee Program	84.330	14831	2,520
Title II - Part A, Teacher Quality	84.367	14341	1,166,572
Title II - Part D, Technology - Formula Grants	84.318	14334	68,961
Title II - Part D, Technology - Competitive Grants	84.318	14368	3,880
Title III - LEP	84.365	10084	442,995
Title IV- Drug Free Schools	84.186	14347	76,976
Special Education - State Grants			
IDEA Basic	84.027	13379	1,208,062
Vocational Educational Grants			
Adult Education	84.048	13924	57,393
Technology Secondary Education	84.048	13923	188,894
Total U.S. Department of Education			<u>10,417,572</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	5,472,599
Basic Breakfast	10.553	13525	1,250,804
Especially Needy Breakfast	10.553	13526	127,920
Meals Supplements - Snack	10.555	13391	206,188
Summer Food Program	10.559	13004	25,475
Food Distribution	10.555	13391	580,238
Subtotal Child Nutrition Cluster			<u>7,663,225</u>
Fresh Fruits and Vegetables Program	10.582	14968	82,504
Passed through California Department of Public Health:			
Network for a Healthy California	10.561	12151	81,493
Total U.S. Department of Agriculture			<u>7,827,222</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 74,283
Medi-Cal Administrative Activities	93.778	10060	72,673
Subtotal Medicaid Cluster			<u>146,956</u>
Passed through CDE:			
School Age Child Care Resource Program	93.575	13979	<u>6,352</u>
Total U.S. Department of Health and Human Services			<u>153,308</u>
Total Expenditures of Federal Awards			<u><u>\$18,398,102</u></u>

MADERA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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
Michael H. Westley	President	2010
Philip D. Janzen	Clerk	2010
Ricardo Arredondo	Trustee	2012
Robert E. Garibay	Trustee	2012
Dr. Loraine Goodwin	Trustee	2010
Michael Salvador	Trustee	2010
Ray G. Seibert	Trustee	2012

ADMINISTRATION

John R. Stafford	Superintendent
Kathleen Lopes	Associate Superintendent, Educational Services
Kelly Porterfield	Associate Superintendent, Business and Operations
Robert Chavez	Chief Academic Officer, K-12
Darren Sylvia	Chief Academic Officer, K-12
Jake Bragonier	Public Information Officer

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2009

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,507	1,507
First through third	4,472	4,472
Fourth through sixth	4,058	4,052
Seventh and eighth	2,605	2,601
Home and hospital	3	3
Special education	247	249
Total Elementary	12,892	12,884
SECONDARY		
Regular classes	4,307	4,273
Continuation education	302	305
Opportunity schools	2	2
Home and hospital	9	10
Special education	173	168
Total Secondary	4,793	4,758
Total K-12	17,685	17,642
CLASSES FOR ADULTS		
Concurrently enrolled	43	43
Not concurrently enrolled	1,224	1,224
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study	7	7
Adults in correctional facilities	12	12
Total Classes for Adults	1,286	1,286
Grand Total	18,971	18,928
		Hours of Attendance
SUPPLEMENTAL HOURS		
K-12 Core instruction		96,240
7-12 Remedial instruction		209,243
Grades 2-9 Pupils retained/recommended for retention		3,484
Grades 2-6 Pupils at Risk of Retention		32,818
Total Hours		341,785

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2009

Grade Level	1982-83	1986-87	2008-09	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	53,200	180	N/A	Complied
Grade 2	40,710	50,400	53,200	180	N/A	Complied
Grade 3	40,710	50,400	53,200	180	N/A	Complied
Grades 4 - 8						
Grade 4	42,480	54,000	55,400	180	N/A	Complied
Grade 5	42,480	54,000	55,400	180	N/A	Complied
Grade 6	42,480	54,000	55,400	180	N/A	Complied
Grade 7	42,480	54,000	55,650	180	N/A	Complied
Grade 8	42,480	54,000	55,650	180	N/A	Complied
Grades 9 - 12						
Grade 9	58,608	64,800	64,967	180	N/A	Complied
Grade 10	58,608	64,800	64,967	180	N/A	Complied
Grade 11	58,608	64,800	64,967	180	N/A	Complied
Grade 12	58,608	64,800	64,967	180	N/A	Complied

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

	<u>General</u>	<u>Child Development</u>	<u>Cafeteria</u>
FUND BALANCE			
Balance, June 30, 2009, Unaudited Actuals	\$ 33,210,123	\$ 551,225	\$ 1,944,449
Decrease in:			
Accounts Receivable ¹	<u>(1,349,221)</u>	<u>(165,263)</u>	<u>(30,968)</u>
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 31,860,902</u>	<u>\$ 385,962</u>	<u>\$ 1,913,481</u>

¹ The adjustment is the ABX4 3 un-appropriated state categoricals as described in Note 18 - Subsequent Event.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010 ¹	2009 ⁴	2008 ⁴	2007 ⁴
GENERAL FUND				
Revenues and other sources	\$142,370,169	\$150,541,033	\$149,325,139	\$145,058,022
Expenditures ⁴	141,193,531	140,089,588	147,170,679	141,445,379
Other uses and transfers out	-	-	926,258	2,277,656
Total Expenditures and Other Uses	141,193,531	140,089,588	148,096,937	143,723,035
INCREASE/(DECREASE) IN FUND BALANCE	\$ 1,176,638	\$ 10,451,445	\$ 1,228,202	\$ 1,334,987
ENDING FUND BALANCE	\$ 33,037,540	\$ 31,860,902	\$ 21,409,457	\$ 20,181,255
AVAILABLE RESERVES ²	\$ 23,984,632	\$ 17,180,668	\$ 13,715,950	\$ 12,718,653
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	17.0%	12.3%	9.3%	8.8%
LONG-TERM OBLIGATIONS	Not Available	\$ 99,541,497	\$ 99,494,347	\$ 99,346,060
AVERAGE DAILY ATTENDANCE AT P-2 ³	17,885	17,685	17,527	17,225

The General Fund balance has increased by \$11,679,647 over the past two years. The fiscal year 2009-10 budget projects an increase of \$1,176,638 (3.69 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 each of the past three years and anticipates incurring an operating surplus during the 2009-10 fiscal year. Total long-term obligations have increased by \$195,437 over the past two years, primarily due to the issuance of new bonds and certificates of participation.

Average daily attendance has increased by 460 over the past two years. Additional growth of 200 ADA is anticipated during fiscal year 2009-10.

¹ Budget 2010 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. The District recorded the revenue and related receivable associated with its portion of the 2008-09 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-10 re-appropriation in the July 2009 State Budget package prior to notification of by the State that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivable have been included in these financial statements. See Note 18 - Subsequent Event. California Education Code Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$1,349,221 of un-appropriated revenues have been included in the Available Reserves totals that are not reflected in the Audited Financial Statements.

³ Excludes Adult Education ADA.

⁴ Excludes State CalSTRS on behalf payments.

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MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2009

Name of Charter School	Included in Audit Report
Sherman Thomas Charter School	No
Ezequiel Tafoya Alvarado Academy	No

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2009

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 1,355,987	\$ 478,273	\$ 998,982	\$ 1,717,718
Receivables	573,394	29,038	1,081,652	-
Due from other funds	34	36	-	622,746
Stores inventories	-	-	179,085	-
Total Assets	\$ 1,929,415	\$ 507,347	\$ 2,259,719	\$ 2,340,464
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 211,235	\$ 19,849	\$ 131,542	\$ 62,777
Due to other funds	1,122,109	101,536	214,696	-
Total Liabilities	1,333,344	121,385	346,238	62,777
Fund Balances:				
Reserved for:				
Revolving cash	-	-	3,140	-
Stores inventories	-	-	179,085	-
Unreserved:				
Designated	-	-	112,022	-
Undesignated, reported in:				
Special revenue funds	596,071	385,962	1,619,234	2,277,687
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balances	596,071	385,962	1,913,481	2,277,687
Total Liabilities and Fund Balances	\$ 1,929,415	\$ 507,347	\$ 2,259,719	\$ 2,340,464

See accompanying note to supplementary information.

Special Reserve Non-Capital Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund
\$ 1,543,437	\$ 5,293,949	\$ 6,646,663	\$ 1,411,528	\$ 2,814,232	\$ 585,006
-	3,235	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,543,437</u>	<u>\$ 5,297,184</u>	<u>\$ 6,646,663</u>	<u>\$ 1,411,528</u>	<u>\$ 2,814,232</u>	<u>\$ 585,006</u>
\$ -	\$ 83	\$ 372,101	\$ -	\$ -	\$ -
-	121	6	-	-	-
-	204	372,107	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,543,437	-	-	-	-	-
-	-	-	-	2,814,232	585,006
-	5,296,980	6,274,556	1,411,528	-	-
<u>1,543,437</u>	<u>5,296,980</u>	<u>6,274,556</u>	<u>1,411,528</u>	<u>2,814,232</u>	<u>585,006</u>
<u>\$ 1,543,437</u>	<u>\$ 5,297,184</u>	<u>\$ 6,646,663</u>	<u>\$ 1,411,528</u>	<u>\$ 2,814,232</u>	<u>\$ 585,006</u>

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MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2009

	Total Non-Major Governmental Funds
ASSETS	
Deposits and investments	\$ 22,845,775
Receivables	1,687,319
Due from other funds	622,816
Stores inventories	179,085
Total Assets	\$ 25,334,995
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 797,587
Due to other funds	1,438,468
Total Liabilities	2,236,055
Fund Balances:	
Reserved for:	
Revolving cash	3,140
Stores inventories	179,085
Unreserved:	
Designated	112,022
Undesignated, reported in:	
Special revenue funds	6,422,391
Debt service funds	3,399,238
Capital projects funds	12,983,064
Total Fund Balances	23,098,940
Total Liabilities and Fund Balances	\$ 25,334,995

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2009

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 298,709	\$ 6,352	\$ 7,165,491
Other state sources	3,524,452	1,729,849	553,626
Other local sources	274,348	70,976	1,378,951
Total Revenues	4,097,509	1,807,177	9,098,068
EXPENDITURES			
Current			
Instruction	2,327,871	1,479,120	-
Instruction-related activities:			
Supervision of instruction	2,144	-	-
School site administration	1,050,666	186,799	-
Pupil Services:			
Food services	-	44,779	7,886,046
All other pupil services	106,729	51,835	-
General administration:			
All other general administration	81,208	25,528	208,826
Plant services	156,149	75,140	480,050
Facility acquisition and construction	12,765	44,427	-
Debt service			
Principal	-	76,333	-
Interest and other	-	-	-
Total Expenditures	3,737,532	1,983,961	8,574,922
Excess (Deficiency) of			
Revenues Over Expenditures	359,977	(176,784)	523,146
Other Financing Sources (Uses):			
Transfers in	-	-	-
Other sources	(1,000,000)	(75,354)	-
Transfers out	-	-	-
Net Financing Sources (Uses)	(1,000,000)	(75,354)	-
NET CHANGE IN FUND BALANCES	(640,023)	(252,138)	523,146
Fund Balance - Beginning	1,236,094	638,100	1,390,335
Fund Balance - Ending	\$ 596,071	\$ 385,962	\$ 1,913,481

See accompanying note to supplementary information.

Deferred Maintenance Fund	Special Reserve Non-Capital Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
622,746	-	-	1,240,114	-	32,064
62,337	44,552	1,506,887	236,966	41,017	2,974,288
685,083	44,552	1,506,887	1,477,080	41,017	3,006,352
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	159,469	-	-	-
262,722	-	648	12,944	18,109	-
609,358	-	437,222	4,526,468	-	-
-	-	-	-	-	1,295,000
-	-	-	598	-	2,114,660
872,080	-	597,339	4,540,010	18,109	3,409,660
(186,997)	44,552	909,548	(3,062,930)	22,908	(403,308)
-	-	-	841,651	-	-
-	-	-	-	-	-
-	-	(996,075)	-	-	-
-	-	(996,075)	841,651	-	-
(186,997)	44,552	(86,527)	(2,221,279)	22,908	(403,308)
2,464,684	1,498,885	5,383,507	8,495,835	1,388,620	3,217,540
\$ 2,277,687	\$ 1,543,437	\$ 5,296,980	\$ 6,274,556	\$ 1,411,528	\$ 2,814,232

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, Continued FOR THE YEAR ENDED JUNE 30, 2009

	COP Debt Service Fund	Total Non-Major Governmental Funds
REVENUES		
Federal sources	\$ -	\$ 7,470,552
Other state sources	-	7,702,851
Other local sources	1,050	6,591,372
Total Revenues	1,050	21,764,775
EXPENDITURES		
Current		
Instruction	-	3,806,991
Instruction-related activities:		
Supervision of instruction	-	2,144
School site administration	-	1,237,465
Pupil Services:		
Food services	-	7,930,825
All other pupil services	-	158,564
General administration:		
All other general administration	-	475,031
Plant services	-	1,005,762
Facility acquisition and construction	-	5,630,240
Debt service		
Principal	95,000	1,466,333
Interest and other	885,702	3,000,960
Total Expenditures	980,702	24,714,315
Excess (Deficiency) of Revenues Over Expenditures	(979,652)	(2,949,540)
Other Financing Sources (Uses):		
Transfers in	981,019	1,822,670
Other sources	-	(1,075,354)
Transfers out	-	(996,075)
Net Financing Sources (Uses)	981,019	(248,759)
NET CHANGE IN FUND BALANCES	1,367	(3,198,299)
Fund Balance - Beginning	583,639	26,297,239
Fund Balance - Ending	\$ 585,006	\$ 23,098,940

See accompanying note to supplementary information - unaudited.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues - Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 24,471,313
Reconciling items:		
Food Distribution	10.555	580,238
ARRA: State Fiscal Stabilization	84.394	(6,653,449)
Total Schedule of Expenditures of Federal Awards		<u>\$ 18,398,102</u>

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

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.

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, 2009, which collectively comprise Madera Unified School District's basic financial statements and have issued our report thereon dated December 15, 2009. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated December 15, 2009.

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.

Varrinuk, Trime, Yang & Co. LLP

Fresno, California
December 15, 2009



**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, 2009. Madera Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Madera Unified School District's management. Our responsibility is to express an opinion on Madera Unified School District's compliance based on our audit.

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

In our opinion, Madera Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Madera Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Madera Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Madera Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Vavrinuk, Trime, Day + Co. LLP

Fresno, California
December 15, 2009



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, 2009, and have issued our report thereon dated December 15, 2009. 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 2008-09*, 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
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Not Applicable ¹
Regional occupational centers and programs	6	Not Applicable ¹
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable ¹
Instructional Materials:		
General requirements	8	Yes ²
K-8 only	1	Not Applicable ¹
9-12 only	1	Not Applicable ¹
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes

	Procedures in Audit Guide	Procedures Performed
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable ¹
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

¹ This program is not required to be audited per flexibility provisions in SBX3 4.

² The number of procedures to be performed was reduced per flexibility provisions in SBX3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

Based on our audit, we found that for the items tested, the Madera Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Madera Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Madera Unified School District's compliance with the State laws and regulations referred to above.

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

Varrinck, Trime, Day & Co. LLP

Fresno, California
December 15, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Basic and Program Improvement</u>
<u>84.367</u>	<u>Title II - Part A, Teacher Quality</u>
<u>84.365</u>	<u>Title III - LEP</u>
<u>84.027</u>	<u>Special Education IDEA, Basic</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 551,943</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

MADERA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

Federal Award Findings

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

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.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

Current Status

Implemented.

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.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

Current Status

Implemented.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

State Award Findings

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:

Revised Annual					Original Annual			
	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			<u>\$ 660,144</u>
	Less original funding			<u>660,144</u>				
	Effect on funding			<u>\$ 14,207</u>				

Cause

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

Recommendation

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

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Current Status

Implemented.

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.

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.

Current Status

Implemented.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

Current Status

Implemented.