

**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

MADERA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Madera Unified School District
Madera, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District (the "District") as of and for the year ended June 30, 2010, 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 2009-10*, 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, 2010, 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 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 8, 2010, 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.

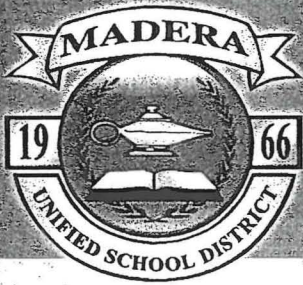
The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison and other postemployment information on pages 55 and 56, is not a required part of the basic financial statements, but is supplementary information required by the accounting 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*, 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.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 8, 2010

MADERA UNIFIED SCHOOL DISTRICT



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MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2009-10

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, 2010.

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.

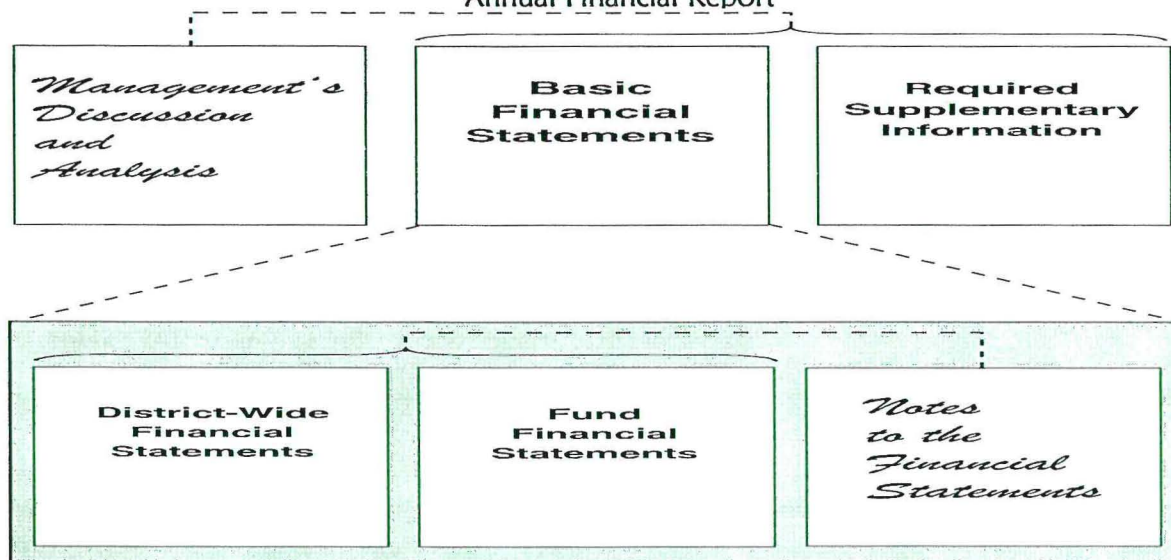
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's 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 2009-10

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



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 2009-10

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 three 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.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

- Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The District's Self-Insurance Fund is reported as an internal service fund. The internal service fund is reported with governmental activities in the government-wide financial statements.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL HIGHLIGHTS

- The District's total net assets for all Governmental Activities for the 2009-10 year were \$166.4 million.
- Overall revenues were \$158.3 million, approximately \$8.1 million less than expenses.
- The District's net capital assets increased from \$201.0 million to \$202.2 million; a 0.6% increase over the prior year. This was due to the completion of the following construction projects:
 - Eastin Arcola Fencing Project
 - Sierra Vista Admin. Bldg. Remodel
 - TJ Electrical Project
 - TJ Portable Project
 - Washington School Fencing Project
 - Mt. Vista Refurbishment
 - Madera South High School Ag. Project
 - Madera South High School Project
 - MSHS Transition Phase/Wiring
 - Ripperdan High Childcare Project

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$166.4 million on June 30, 2010, decreasing more \$8.1 million (4.6 percent). (see Table A-1.)

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

	Governmental Activities		
	2010	2009	Change
Current and Other Assets	\$ 83.5	\$ 88.5	\$ (5.0)
Capital Assets	202.2	201.0	1.2
Total Assets	285.7	289.5	(3.8)
Long-Term Obligations Outstanding	102.0	99.5	2.5
Other Liabilities	17.3	15.5	1.8
Total Liabilities	119.3	115.0	4.3
Invested in Capital Assets, net of related debt	122.4	103.8	18.6
Restricted	26.3	33.7	(7.4)
Unrestricted	17.7	37.0	(19.3)
Total Net Assets	\$ 166.4	\$ 174.5	\$ (8.1)

Changes in net assets. The District's total governmental revenues were \$158.3 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 \$87.6 million and property taxes contributing about \$21.4 million. Another \$40.3 million came from categorical programs and capital grants, \$2.1 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 \$166.4 million. The District's expenses are predominantly related to educating and caring for students (80.9%). The purely administrative activities of the District accounted for just 4.3% of total costs. Maintenance and operations account for 9.8% of the District's expenses.

Total expenses surpassed revenues, decreasing net assets \$8.1 million over last year. Governmental activities contributed to the District's healthier fiscal status.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

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

	Governmental Activities		
	2010	2009	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 87.6	\$ 91.2	\$ (3.6)
Property Taxes	21.4	22.4	(1.0)
Other	6.9	6.9	-
Program Revenues:			
Charges for Services	2.1	2.4	(0.3)
Categorical Revenues and Capital Grants	40.3	52.0	(11.7)
Total Revenues	<u>158.3</u>	<u>174.9</u>	<u>(16.6)</u>
Expenses:			
Instruction Related	114.8	113.9	0.9
Pupil Services	19.9	20.9	(1.0)
General Administration	7.5	7.8	(0.3)
Plant Services	16.2	16.7	(0.5)
Other	8.0	7.2	0.8
Total Expenses	<u>166.4</u>	<u>166.5</u>	<u>(0.1)</u>
Increase (Decrease) in Net Assets	<u><u>\$ (8.1)</u></u>	<u><u>\$ 8.4</u></u>	<u><u>\$ (16.5)</u></u>

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:

- Significant budget reductions have been made to maintain the District's financial solvency throughout the next three years. In 2008-09, \$3.5 million in budget reductions were made along with an additional \$5.4 million in reductions in 2009-10.
- Revenue Limit funding in 2009-10 was approximately 11.3% lower than 2008-09, due primarily to the one-time per ADA reduction of \$253. In spite of the reduction in Revenue Limit funding, the District was able to maintain an average of 16.9:1 student teacher ratio in grades K-3 rather than the 24.5:1 staffing ratio budgeted. This reduced class size ratio was realized due to the influx of one-time federal stimulus funds and district-wide budget reductions.
- The District made on-going budget reductions of \$12 million to balance the 2010-11 Adopted Budget due to the current State fiscal crisis.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

- The Net Capital Assets increased \$1.1 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	
	2010	2009	2010	2009
Instruction	114.8	113.9	\$ 89.5	\$ 77.2
Student Transportation	5.1	5.5	1.3	1.6
Food Services	7.7	8.0	(1.4)	(0.4)
All Other Pupil Services	7.1	7.4	6.4	5.2
General Administration	7.5	7.7	6.2	6.9
Plant Services	16.2	16.7	15.5	15.3
Other	8.0	7.2	6.4	6.3
Total	\$ 166.4	\$ 166.4	\$ 123.9	\$ 112.1

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$64.7 million; this is \$6.8 million less than last year since only current assets are reported in the governmental funds.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

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:

- \$5.1 million decrease in Revenue Limit due to a one-time per ADA reduction of approximately \$253.
- Federal revenues were \$5.5 million less than the adopted budget due to new one-time federal stimulus money being received in the prior fiscal year.
- While State revenues were \$3.4 higher than the adopted budget, several State programs were reduced because of the new flexibility options available through 2012-13.
- Local revenues were \$0.8 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010, the District had invested \$202.2 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 \$1.2 million or 0.6% over last year. Total accumulated depreciation for the year exceeded \$5.4 million.

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

	Governmental Activities		Total
	2010	2009	Percentage Change
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	9.1	6.5	40.0%
Construction in Progress	2.3	5.6	-58.9%
Buildings	171.8	170.5	0.8%
Furniture and Equipment	5.2	4.6	13.0%
Totals	\$ 202.2	\$ 201.0	0.6%

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

LONG-TERM OBLIGATIONS

At year-end the District had \$102 million long-term obligations outstanding - an increase of 2.4% from last year - as shown in Table A-5.

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

	Governmental Activities		Total
	2010	2009	Percentage Change
General Obligation Bonds	\$ 74.6	\$ 74.7	-0.1%
Certificates of Participation	17.5	17.9	-2.2%
Capital Leases Payable	2.4	2.7	-11.1%
Other Long-Term Obligations	4.0	1.9	110.5%
Compensated Absences	1.1	1.3	-15.4%
Other Postemployment Benefits	2.4	1.1	118.2%
Total	\$ 102.0	\$ 99.6	2.4%

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 12.3% in 2010-11, the current District Contribution is \$13,970 per employee working more than four hours per day, five days per week.
- One-time and on-going costs associated with re-opening Dixieland, Ripperdan, and Mountain Vista as school sites in the future.
- 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 minimal growth compared to previous years.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2009-10

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2010

	Governmental Activities
ASSETS	
Deposits and investments	\$ 56,502,895
Receivables	25,139,502
Prepaid expenses	1,255,316
Stores inventories	631,808
Nondepreciable capital assets	16,083,474
Depreciable capital assets	243,274,478
Accumulated depreciation	(57,149,386)
Total Assets	285,738,087
LIABILITIES	
Accounts payable	15,681,587
Deferred revenue	1,625,359
Current portion of long-term obligations	2,446,724
Noncurrent portion of long-term obligations	99,585,210
Total Liabilities	119,338,880
NET ASSETS	
Invested in capital assets, net of related debt	122,437,908
Restricted for:	
Debt service	3,533,963
Capital projects	10,135,208
Educational programs	4,788,289
Other activities	7,414,677
Self-insurance	389,869
Unrestricted	17,699,293
Total Net Assets	\$ 166,399,207

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 95,175,264	\$ 315,909	\$ 19,369,812	\$ 238,880
Instruction-related activities:				
Supervision of instruction	4,488,226	-	3,792,993	-
Instructional library, media and technology	1,709,972	1,787	330,885	-
School site administration	13,443,600	25,976	1,231,696	-
Pupil services:				
Home-to-school transportation	5,105,811	377,956	3,405,907	-
Food services	7,667,672	976,288	8,066,310	-
All other pupil services	7,106,943	28,338	716,848	-
General administration:				
Data processing	1,120,084	-	-	-
All other general administration	6,401,676	52,936	1,263,736	-
Plant services	16,209,811	64,388	610,781	-
Ancillary services	2,019,605	29,015	65,165	-
Community services	7,131	-	-	-
Interest on long-term obligations	4,480,044	-	-	-
Other outgo	1,417,083	206,736	1,238,678	-
Total Governmental-Type Activities	\$ 166,352,922	\$ 2,079,329	\$ 40,092,811	\$ 238,880
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**

\$ (75,250,663)

(695,233)

(1,377,300)

(12,185,928)

(1,321,948)

1,374,926

(6,361,757)

(1,120,084)

(5,085,004)

(15,534,642)

(1,925,425)

(7,131)

(4,480,044)

28,331

(123,941,902)

17,977,312

2,951,215

455,415

87,574,278

573,085

153,290

6,163,091

115,847,686

(8,094,216)

174,493,423

\$ 166,399,207

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2010

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 20,874,288	\$ 15,488,642	\$ 19,750,096
Receivables	22,946,199	-	2,193,303
Due from other funds	577,997	-	378,395
Prepaid expenditures	86,888	-	-
Stores inventories	464,256	-	167,552
Total Assets	\$ 44,949,628	\$ 15,488,642	\$ 22,489,346
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,854,214	\$ -	\$ 827,373
Due to other funds	-	378,267	578,125
Deferred revenue	1,625,359	-	-
Total Liabilities	16,479,573	378,267	1,405,498
FUND BALANCES			
Reserved for:			
Revolving cash	10,872	-	4,179
Stores inventories	464,256	-	167,552
Prepaid expenditures	86,888	-	-
Legally restricted balance	4,788,289	-	-
Unreserved:			
Designated	13,044,738	-	1,201,920
Undesignated, reported in:			
General Fund	10,075,012	-	-
Special revenue funds	-	-	6,041,026
Debt service funds	-	-	3,533,963
Capital projects funds	-	15,110,375	10,135,208
Total Fund Balance	28,470,055	15,110,375	21,083,848
Total Liabilities and Fund Balances	\$ 44,949,628	\$ 15,488,642	\$ 22,489,346

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

Total Governmental Funds	
\$	56,113,026
	25,139,502
	956,392
	86,888
	631,808
\$	82,927,616
\$	15,681,587
	956,392
	1,625,359
	18,263,338
	15,051
	631,808
	86,888
	4,788,289
	14,246,658
	10,075,012
	6,041,026
	3,533,963
	25,245,583
	64,664,278
\$	82,927,616

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MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2010

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

Total Fund Balance - Governmental Funds		\$ 64,664,278
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	\$ 259,357,952	
Accumulated depreciation is	<u>(57,149,386)</u>	
Total capital assets		202,208,566
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:		
		1,168,428
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:		
		389,869
Long-term liabilities at year end consist of:		
General obligation bonds	(74,653,905)	
Certificates of participation	(17,500,000)	
State preschool loan program	(294,774)	
Capital lease obligations	(2,432,354)	
Compensated absences	(1,135,312)	
Early retirement incentive obligation	(3,657,246)	
Other postemployment benefits	<u>(2,358,343)</u>	
Total long-term liabilities		(102,031,934)
Total Net Assets - Governmental Activities		<u>\$ 166,399,207</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, 2010

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 88,794,499	\$ -
Federal sources	15,262,345	-
Other state sources	26,960,627	-
Other local sources	6,511,492	208,279
Total Revenues	137,528,963	208,279
EXPENDITURES		
Current		
Instruction	85,112,050	-
Instruction-related activities:		
Supervision of instruction	4,435,988	-
Instructional library, media and technology	1,525,540	-
School site administration	12,084,159	-
Pupil Services:		
Home-to-school transportation	5,420,813	-
Food services	-	-
All other pupil services	6,860,076	-
General administration:		
Data processing	1,192,526	-
All other general administration	5,761,947	-
Plant services	14,339,605	-
Facility acquisition and construction	86,355	-
Ancillary services	2,159,317	-
Community services	7,131	-
Other outgo	1,417,083	-
Debt service		
Principal	276,778	-
Interest and other	139,559	-
Total Expenditures	140,818,927	-
Excess (Deficiency) of Revenues Over Expenditures	(3,289,964)	208,279
Other Financing Sources (Uses):		
Transfers in	7,491	-
Transfers out	(108,374)	(1,568,129)
Net Financing Sources (Uses)	(100,883)	(1,568,129)
NET CHANGE IN FUND BALANCES	(3,390,847)	(1,359,850)
Fund Balance - Beginning	31,860,902	16,470,225
Fund Balance - Ending	\$ 28,470,055	\$ 15,110,375

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 88,794,499
8,317,008	23,579,353
5,845,394	32,806,021
6,302,000	13,021,771
<u>20,464,402</u>	<u>158,201,644</u>
3,322,755	88,434,805
33,203	4,469,191
-	1,525,540
1,129,696	13,213,855
-	5,420,813
7,605,829	7,605,829
187,738	7,047,814
-	1,192,526
726,434	6,488,381
1,212,349	15,551,954
5,229,635	5,315,990
-	2,159,317
-	7,131
-	1,417,083
1,838,682	2,115,460
2,862,185	3,001,744
<u>24,148,506</u>	<u>164,967,433</u>
<u>(3,684,104)</u>	<u>(6,765,789)</u>
2,961,442	2,968,933
(1,292,430)	(2,968,933)
<u>1,669,012</u>	<u>-</u>
(2,015,092)	(6,765,789)
23,098,940	71,430,067
<u>\$ 21,083,848</u>	<u>\$ 64,664,278</u>

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds \$ (6,765,789)
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	\$ 6,660,164	
Depreciation expense	<u>(5,446,844)</u>	1,213,320

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

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). 141,708

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). (2,100,642)

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	390,000
General obligation bonds	1,395,000
Capital lease obligations	276,778
State Preschool Revolving Loan	53,682

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 STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2010

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)

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.

(1,421,793)

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.

5,197

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:

(1,277,035)

Change in Net Assets of Governmental Activities

\$ (8,094,216)

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, 2010

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 389,869
Total Assets	<u>389,869</u>
LIABILITIES	
Current Liabilities	-
Total Current Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	389,869
Total Net Assets	<u>\$ 389,869</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, 2010

	Governmental Activities - Internal Service Fund
NONOPERATING REVENUES	
Interest income	\$ 5,197
Total Nonoperating Revenues	<u>5,197</u>
Change in Net Assets	5,197
Total Net Assets - Beginning	<u>384,672</u>
Total Net Assets - Ending	<u><u>\$ 389,869</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 5,197
Net Cash Provided by Investing Activities	5,197
Net increase in cash and cash equivalents	5,197
Cash and cash equivalents - Beginning	384,672
Cash and cash equivalents - Ending	\$ 389,869

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2010

	Scholarship Trusts	Agency Funds
ASSETS		
Deposits and investments	\$ 116,651	\$ 358,362
Total Assets	<u>116,651</u>	<u>\$ 358,362</u>
LIABILITIES		
Due to student groups		
Dixieland	-	\$ 8,044
Jefferson	-	5,879
King	-	22,535
La Vina	-	1,991
Washington	-	1,903
Madera High	-	132,649
Ripperdan High	-	6,777
Desmond Middle	-	12,673
Mountain Vista High School	-	751
Madera South High	-	165,160
Total Liabilities	<u>-</u>	<u>\$ 358,362</u>
NET ASSETS - RESERVED		
Lorraine Thompson Scholarship	50,511	
Student Government Scholarship	5,292	
Albonico Scholarship	9,410	
E. L. L. Scholarship	1,730	
Ray Pool Scholarship	444	
Gomez-Vidal Scholarship	3,500	
J. Desmond Scholarship	120	
Michael A. Wong Class 85' Scholarship	1,500	
Dave Schoettler Mem Scholarship	2,715	
Esperanza Scholarship	505	
K. Roberts Memorial Scholarship	120	
J. Hinton Scholarship	550	
Science and Health Scholarship	292	
FCCLA Scholarship	296	
Binger Scholarship	2,265	
Cardenazzi Roberts Scholarship	3,585	
Mike Young Scholarship	335	
Rodger Scott Mem Scholarship	600	
School of Business Scholarship	500	
Joan Davis Scholarship	207	
Madera Lions Club	32,174	
Total Net Assets	<u>\$ 116,651</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, 2010

	Scholarship Trusts
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 646
Student Government Scholarship	260
Albonico Scholarship	229
E. L. L. Scholarship	300
Ray Pool Scholarship	1
Gomez-Vidal Scholarship	1,012
Michael A Wong Class 85' Scholarship	1,500
Dave Schoettler Mem Scholarship	300
Esperanza Scholarship	1
J. Hinton Scholarship	300
Science & Health Scholarship	4
Binger Scholarship	30
Cardenazzi Roberts Scholarship	59
Madera Lions Club	421
ECV Clampers Danny Goldbeck Memorial	100
Total Additions	5,163
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	2,000
Student Government Scholarship	1,825
Albonico Scholarship	149
E.L.L. Scholarship	600
Michael A. Wong Class 85' Scholarship	1,000
Dave Schoettler Mem Scholarship	2,000
Esperanza Scholarship	500
Science & Health Scholarship	150
Cardenazzi Roberts Scholarship	3,800
Joan Davis Scholarship	500
Madera Lions Club	3,000
ECV Clampers Danny Goldbeck Memorial	500
Total Deductions	16,024
Change in Net Assets	(10,861)
Net Assets - Beginning	127,512
Net Assets - Ending	\$ 116,651

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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, 2010

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, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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).

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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).

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: scholarship 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).

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Basis of Accounting - Measurement Focus

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

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

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

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

Governmental Funds All governmental funds are accounted for using 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 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, 2010

Investments

Investments held at June 30, 2010, 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.

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.

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

Compensated absences 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

Bonds, capital leases, and other long-term obligations are recognized as liabilities in the *Statement of Net Assets*.

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, prepaid expenditures, and legally restricted grants and entitlements.

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District 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 \$26,262,006 of restricted net assets, of which \$2,958,564 is restricted by enabling legislation.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

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.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 56,502,895
Fiduciary funds	475,013
Total Deposits and Investments	<u>\$ 56,977,908</u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 426,034
Cash in revolving	15,051
Investments	56,536,823
Total Deposits and Investments	<u>\$ 56,977,908</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, 2010

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	\$ 56,536,823	\$ 56,536,823	\$ -	\$ -	\$ -

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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	\$ 56,536,823	N/A	\$ -	\$ -	\$ 56,536,823

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, 2010, \$15,404 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, 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	\$ 1,438,934	\$ 1,374,327	\$ 2,813,261
State Government			
Apportionment	18,206,383	466,984	18,673,367
Categorical aid	1,209,075	73,498	1,282,573
Lottery	590,265	-	590,265
Other State	658,940	-	658,940
Local Sources	842,602	278,494	1,121,096
Total Fund Statements	<u>\$ 22,946,199</u>	<u>\$ 2,193,303</u>	<u>\$ 25,139,502</u>

NOTE 4 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2010, consisted of the following:

	General Fund	Total Governmental Activities
Supplies	<u>\$ 86,888</u>	<u>\$ 86,888</u>
Prepaid debt issuance costs		1,168,428
Total prepaid expenses - government-wide statements		<u>\$ 1,255,316</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	5,552,976	1,675,820	4,908,654	2,320,142
Total Capital Assets Not Being Depreciated	19,316,308	1,675,820	4,908,654	16,083,474
Capital Assets being depreciated				
Land improvements	7,559,917	2,942,792	-	10,502,709
Buildings and improvements	210,709,090	5,321,216	-	216,030,306
Furniture and equipment	15,251,921	1,628,990	139,448	16,741,463
Total Capital Assets Being Depreciated	233,520,928	9,892,998	139,448	243,274,478
Less Accumulated Depreciation				
Land improvements	1,014,671	426,349	-	1,441,020
Buildings and improvements	40,173,038	4,021,775	-	44,194,813
Furniture and equipment	10,654,281	998,720	139,448	11,513,553
Total Accumulated Depreciation	51,841,990	5,446,844	139,448	57,149,386
Governmental Activities Capital Assets, Net	\$ 200,995,246	\$ 6,121,974	\$ 4,908,654	\$ 202,208,566

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,090,725
Instructional library, media, and technology	153,444
School site administration	120,415
Home-to-school transportation	520,049
Food services	20,032
Plant services	542,179
Total Depreciation Expenses Governmental Activities	\$ 5,446,844

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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, 2010, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 577,997	\$ -
Building	-	378,267
Total Major Governmental Funds	<u>577,997</u>	<u>378,267</u>
Total Non-Major Funds	<u>378,395</u>	<u>578,125</u>
Total All Governmental Funds	<u><u>\$ 956,392</u></u>	<u><u>\$ 956,392</u></u>

Operating Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

The General Fund transferred to the Child Development Fund for the retirees Golden Handshake.	\$ 1,374
The General Fund transferred to the County School Facilities Fund for the Madera High School Ag. Facility construction costs.	107,000
The Special Reserve Capital Outlay Fund transferred to the County School Facilities Fund for the Madera High School Ag. Facility construction costs.	18,620
The Building Fund transferred to the County School Facilities Fund for building project costs.	1,568,129
The Capital Facilities Fund transferred to the General Fund three percent of the developer fees collected for administrative services.	7,491
The Capital Facilities Fund transferred to the Debt Service Fund for the required debt service payment.	<u>1,266,319</u>
Total	<u><u>\$ 2,968,933</u></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, 2010

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,033,873	\$ 767,455	\$ 1,801,328
Accrued salaries and benefits	771,491	59,918	831,409
Deferred payroll	4,750,589	-	4,750,589
TRANS	4,680,000	-	4,680,000
Health and welfare pass-through	3,618,261	-	3,618,261
Total	<u>\$ 14,854,214</u>	<u>\$ 827,373</u>	<u>\$ 15,681,587</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2010, consists of the following:

	General Fund
Federal financial assistance	\$ 1,561,993
State categorical aid	1,035
Local sources	62,331
Total	<u>\$ 1,625,359</u>

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2009, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$4,945,000, which matured on July 6, 2009. On April 27, 2010, the District issued \$4,680,000 Tax and Revenue Anticipation Notes bearing interest at 2.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on December 30, 2010. By September 2010, the District must set aside 100 percent of principal and interest in a restricted account with the County Treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2009	Additions	Payments	Outstanding June 30, 2010
July 1, 2008	3.00%	July 6, 2009	\$4,945,000	\$ -	\$4,945,000	\$ -
April 27, 2010	2.50%	December 30, 2010	-	4,680,000	-	4,680,000
Total			<u>\$4,945,000</u>	<u>\$4,680,000</u>	<u>\$4,945,000</u>	<u>\$ 4,680,000</u>

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
General obligation bonds-2003	\$ 13,450,000	\$ -	\$ 80,000	\$ 13,370,000	\$ 115,000
General obligation bonds-2005					
Current Interest Bonds	10,975,000	-	785,000	10,190,000	870,000
Capital Appreciation Bonds	16,474,094	845,035	-	17,319,129	-
General obligation bonds-2006					
Current Interest Bonds	1,800,000	-	110,000	1,690,000	125,000
Capital Appreciation Bonds	2,213,332	107,698	-	2,321,030	-
General obligation bonds-2007					
Current Interest Bonds	18,250,000	-	420,000	17,830,000	535,000
Capital Appreciation Bonds	10,323,659	469,060	-	10,792,719	-
Premium	1,192,892	-	51,865	1,141,027	51,865
State Preschool Revolving Loan	348,456	-	53,682	294,774	53,682
Certificates of participation-2004	17,890,000	-	390,000	17,500,000	405,000
Compensated absences - net	1,277,020	-	141,708	1,135,312	-
Early retirement programs	1,556,604	3,400,833	1,300,191	3,657,246	-
Capital leases	2,709,132	-	276,778	2,432,354	291,177
Other postemployment benefits	1,081,308	1,277,035	-	2,358,343	-
Total	<u>\$ 99,541,497</u>	<u>\$ 6,099,661</u>	<u>\$ 3,609,224</u>	<u>\$ 102,031,934</u>	<u>\$ 2,446,724</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, 2010

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2010
Current Interest Bonds:							
2002 - Series 2003 General Obligation Bonds:							
8/1/2003	8/2004-8/2028	1-4.90%	\$16,200,000	\$13,450,000	\$ -	\$ 80,000	\$13,370,000
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2006-8/2017	3-5%	12,670,000	10,975,000	-	785,000	10,190,000
2002 - Series 2006 General Obligation Bonds:							
3/1/06	8/1/2018	3.75-4%	1,915,000	1,800,000	-	110,000	1,690,000
2002 - Series 2007 General Obligation Bonds:							
3/1/07	8/2007-8/2023	4-5%	18,690,000	18,250,000	-	420,000	17,830,000
Capital Appreciation Bonds							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2018-8/2029	4.77-5.23%	13,329,104	16,474,094	845,035	-	17,319,129
2002 - Series 2006 General Obligation Bonds:							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,213,332	107,698	-	2,321,030
2002 - Series 2007 General Obligation Bonds:							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	10,323,659	469,060	-	10,792,719
Total				<u>\$73,486,085</u>	<u>\$ 1,421,793</u>	<u>\$1,395,000</u>	<u>\$ 73,512,878</u>

Debt Service Requirements to Maturity

2002 - Series 2003 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	290,000	620,181	910,181
2016-2020	2,350,000	2,835,417	5,185,417
2021-2025	4,400,000	2,022,435	6,422,435
2026-2029	5,625,000	596,625	6,221,625
Total	<u>\$ 13,370,000</u>	<u>\$ 8,647,442</u>	<u>\$ 22,017,442</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

2002 - Series 2005 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	1,310,000	273,000	1,583,000
2016-2018	4,805,000	375,625	5,180,625
Total	<u>\$ 10,190,000</u>	<u>\$ 2,276,514</u>	<u>\$ 12,466,514</u>

2002 - Series 2006 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	185,000	43,210	228,210
2016-2019	920,000	92,640	1,012,640
Total	<u>\$ 1,690,000</u>	<u>\$ 370,090</u>	<u>\$ 2,060,090</u>

2002 - Series 2007 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	895,000	730,588	1,625,588
2016-2020	6,315,000	2,968,964	9,283,964
2021-2024	7,970,000	1,044,500	7,970,000
Total	<u>\$ 17,830,000</u>	<u>\$ 7,949,004</u>	<u>\$ 24,734,504</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

2002 Capital Appreciation Bonds

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

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2002 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019	\$ 1,925,000	\$ 1,320,165	\$ 280,000	\$ 189,560	\$ -	\$ -
2020	2,015,000	1,311,362	295,000	190,511	-	-
2021	2,100,000	1,296,540	305,000	188,124	-	-
2022	2,200,000	1,287,440	325,000	190,970	-	-
2023	2,300,000	1,274,660	335,000	187,868	-	-
2024-2028	13,140,000	6,147,177	1,930,000	932,513	10,720,000	5,419,763
2029-2032	12,450,000	4,681,785	1,435,000	441,484	12,830,000	5,372,956
Total	<u>\$36,130,000</u>	<u>\$ 17,319,129</u>	<u>\$ 4,905,000</u>	<u>\$ 2,321,030</u>	<u>\$23,550,000</u>	<u>\$ 10,792,719</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
2011	\$ 53,682
2012	53,682
2013	33,735
2014	33,735
2015	33,735
2016-2017	86,205
Total	<u>\$ 294,774</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, the principal balance outstanding was \$17,500,000.

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%	\$ 17,890,000	\$ 390,000	\$ 17,500,000

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	475,000	795,863	1,270,863
2016-2020	2,770,000	3,597,315	6,367,315
2021-2025	3,530,000	2,832,065	6,362,065
2026-2030	4,505,000	1,857,064	6,362,064
2031-2034	4,500,000	590,657	5,090,657
Total	\$ 17,500,000	\$ 13,044,040	\$ 30,544,040

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2010, amounted to \$1,135,312.

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 \$3,657,246 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$1,300,191.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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, 2009	\$ 2,709,132
Payments	276,778
Balance, June 30, 2010	<u>\$ 2,432,354</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2011	\$ 409,737
2012	409,737
2013	409,737
2014	409,737
2015	409,737
2016-2018	867,288
Total	<u>2,915,973</u>
Less: Amount Representing Interest	483,619
Present Value of Minimum Lease Payments	<u>\$ 2,432,354</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 \$2,956,668 for the year ended June 30, 2010, and made a contribution of \$1,679,633. The total net OPEB obligation is \$2,358,343 as of June 30, 2010. 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, 2010

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	\$ 10,872	\$ -	\$ 4,179	\$ 15,051
Stores inventory	464,256	-	167,552	631,808
Prepaid expenditures	86,888	-	-	86,888
Restricted programs	4,788,289	-	-	4,788,289
Total Reserved	5,350,305	-	171,731	5,522,036
Unreserved				
Designated				
Economic uncertainties	4,144,114	-	88,383	4,232,497
Other designations	8,900,624	-	1,113,537	10,014,161
Total Designated	13,044,738	-	1,201,920	14,246,658
Undesignated	10,075,012	15,110,375	19,710,197	44,895,584
Total Unreserved	23,119,750	15,110,375	20,912,117	59,142,242
Total	\$ 28,470,055	\$ 15,110,375	\$ 21,083,848	\$ 64,664,278

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2010, the following District major fund exceeded the budgeted amount as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Other outgo	\$ 177,322	\$ 843,958	\$ 666,636

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 145 retirees and beneficiaries currently receiving benefits and 1,615 active plan members.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Madera Unified Teachers Association (MUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009-10, the District contributed \$1,679,633 to the plan, all of which was used for current premiums (approximately 80 percent of total premiums). Plan members receiving benefits contributed \$429,771, or approximately 20 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	\$ 2,956,668
Contributions made	(1,679,633)
Increase in net OPEB obligation	1,277,035
Net OPEB obligation, beginning of year	1,081,308
Net OPEB obligation, end of year	\$ 2,358,343

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past two years are as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 2,956,668	56.81%	\$ 2,358,343
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 trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 July 1, 2009, actuarial valuation, the projected 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 7.0 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, 2010, was 29 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 2010, 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, 2010

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 2009-2010 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, 2010, 2009, and 2008, were \$5,509,271, \$5,782,110, and \$5,910,334, 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, 2010

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 2009-2010 was 9.709 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, 2010, 2009, and 2008, were \$1,911,376, \$1,932,664, and \$1,964,149, 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 \$2,790,162 (4.267 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, 2010.

Litigation

The District is involved in one case of litigation in which the District is the defendant. In the opinion of legal counsel, if the matter is fully litigated, it is unclear at this time how the court would decide. Regardless of the outcome, the potential loss is not expected to have a material adverse effect on the overall financial position of the District.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Howard Fencing & Paving Project	\$ 143,000	2010-11
Future High School	195,000,000	2021
LaVina Playground Paving Project	120,000	2011-12
Transportation Shop Retrofit for Cleaire Refits	8,000	2010-11
Washington School Playground Paving Project	110,000	2010-11
Madera High Pool Project	2,200,000	2011-12
Total	<u>\$ 197,581,000</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.

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

During the year ended June 30, 2010, the District made payment of \$1,827,749 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2010, the District made payment of \$24,018,107 to CVT for health and welfare benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$5,055,000 of Tax and Revenue Anticipation Notes dated July 1, 2010. The notes mature on June 1, 2011, and yield 2.0 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be set aside in a restricted account within the County Treasury on January 2011 and April 2011, until 100 percent of principal and interest due is on account in May 2011.

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 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), 25 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.

REQUIRED SUPPLEMENTARY INFORMATION

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MADERA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable)
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$ 93,917,784	\$ 88,710,312	\$ 88,794,499	\$ 84,187
Federal sources	20,713,750	22,688,309	15,262,345	(7,425,964)
Other state sources	20,774,561	22,691,187	24,170,465	1,479,278
Other local sources	5,743,074	6,595,891	6,511,492	(84,399)
Total Revenues ¹	<u>141,149,169</u>	<u>140,685,699</u>	<u>134,738,801</u>	<u>(5,946,898)</u>
EXPENDITURES				
Current				
Certificated Salaries	67,829,615	67,375,113	66,430,480	944,633
Classified salaries	17,425,801	19,584,228	18,870,095	714,133
Employee benefits	31,733,154	32,520,911	31,961,536	559,375
Books and supplies	15,659,611	19,147,995	7,404,846	11,743,149
Services and operating expenditures	7,976,724	12,615,712	10,846,807	1,768,905
Other outgo	158,889	177,322	843,958	(666,636)
Capital outlay	-	1,907,249	1,261,306	645,943
Debt service	409,737	410,037	409,737	300
Total Expenditures ¹	<u>141,193,531</u>	<u>153,738,567</u>	<u>138,028,765</u>	<u>15,709,802</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(44,362)</u>	<u>(13,052,868)</u>	<u>(3,289,964)</u>	<u>9,762,904</u>
Other Financing Sources (Uses):				
Transfers in	1,221,000	4,898	7,491	2,593
Transfers out	-	(108,374)	(108,374)	-
Net Financing Sources (Uses)	<u>1,221,000</u>	<u>(103,476)</u>	<u>(100,883)</u>	<u>2,593</u>
NET CHANGE IN FUND BALANCES	<u>1,176,638</u>	<u>(13,156,344)</u>	<u>(3,390,847)</u>	<u>9,765,497</u>
Fund Balance - Beginning	<u>31,860,902</u>	<u>31,860,902</u>	<u>31,860,902</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 33,037,540</u>	<u>\$ 18,704,558</u>	<u>\$ 28,470,055</u>	<u>\$ 9,765,497</u>

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, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected 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)
July 1, 2009	\$ -	\$ 25,869,698	\$ 25,869,698	0.00%	\$ 86,465,684	29.92%
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, 2010

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	\$ 117,846
Secondary Education	84.002	13978	26,063
Institutionalized Adults	84.002	13971	30,794
English, Literature & Civics	84.002A	14109	36,302
No Child Left Behind			
Title I Cluster			
Title I - Part A, Basic	84.010	14329	6,158,864
ARRA, Title I - Part A, Basic	84.389	15005	1,253,776
Title I - Part A, Program Improvement	84.010	14955	451,117
ARRA, Title I - Title I, School Improvement Grant	84.389	15004	24,946
Subtotal Title I Cluster			<u>7,888,703</u>
Title I - Part C, Migrant	84.011	14326	49,087
Title I - Part G, Advanced Placement Fee Program	84.330	14831	(2,219)
Title I - School Improvement Grant	84.377	14971	131,413
Title II - Part A, Teacher Quality	84.367	14341	496,554
Title II - Part A, Administrator Training	84.367	14344	10,094
Title II - Part D, Enhancing Education Through Technology - Formula Grants	84.318	14334	61,128
Title II - Part D, Enhancing Education Through Technology - Competitive Grants	84.318	14368	176,793
Title III - LEP	84.365	10084	701,398
Title IV - Part A, Safe and Drug Free Schools	84.186	14347	34,460
Title V - Part A, Innovative Education Strategies	84.298A	14354	25,102
Title X - McKinney-Vento Homeless Children Assistance	84.196	14332	24,622
ARRA: State Fiscal Stabilization Fund	84.394	25008	7,799,816
Special Education Cluster			
IDEA, Basic Local Assistance	84.027	13379	1,222,303
IDEA, Basic Local Assistance, Private School	84.027	10115	1,285
ARRA, IDEA, Basic Local Assistance	84.391	15003	1,575,330
ARRA, IDEA, Basic Local Assistance, Private School	84.391	10123	2,059
California Preschool Instructional Network (CPIN)			
Special Education Leads	84.173	14530	1,781
Subtotal Special Education Cluster			<u>2,802,758</u>

N/A - Not applicable

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2010

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):			
Vocational Educational Grants			
Adult Education	84.048	13923	\$ 60,094
Technology Secondary Education	84.048	13924	181,394
Total U.S. Department of Education			<u>20,652,202</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	5,996,785
Basic Breakfast	10.553	13525	69,443
Especially Needy Breakfast	10.553	13526	1,414,084
Meals Supplements - Snack	10.555	13391	221,806
Summer Food Program	10.559	13004	54,581
Food Distribution	10.555	13391	563,270
Subtotal Child Nutrition Cluster			<u>8,319,969</u>
Fresh Fruits and Vegetables Program	10.582	14968	287,428
Passed through California Department of Public Health:			
Network for a Healthy California	10.561	12151	132,115
Total U.S. Department of Agriculture			<u>8,739,512</u>
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	139,008
Medi-Cal Administrative Activities	93.778	10060	267,166
Subtotal Medicaid Cluster			<u>406,174</u>
Total U.S. Department of Health and Human Services			<u>406,174</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Local Assistance Congestion Mitigation & Air Quality	CML-6414(003)	N/A	794,130
Total Expenditures of Federal Awards			<u>\$30,592,018</u>

N/A - Not applicable

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2010

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
Deborah Wood	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

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2010

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,525	1,537
First through third	4,508	4,511
Fourth through sixth	4,076	4,074
Seventh and eighth	2,612	2,601
Home and hospital	7	7
Special education	242	244
Total Elementary	12,970	12,974
SECONDARY		
Regular classes	4,412	4,334
Continuation education	286	285
Home and hospital	7	7
Special education	161	156
Total Secondary	4,867	4,781
Total K-12	17,837	17,755
CLASSES FOR ADULTS		
Adults in correctional facilities	4	4
Total Classes for Adults	4	4
Grand Total	17,841	17,760

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2010

Grade Level	1982-83	Reduced	1986-87	Reduced	2009-10	Number of Days		Status
	Actual	Actual	Minutes	Minutes	Actual	Traditional	Multitrack	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	29,205	28,350	36,000	35,000	53,760	180	N/A	Complied
Grades 1 - 3	40,710	39,579	50,400	49,000				
Grade 1					53,760	180	N/A	Complied
Grade 2					54,310	180	N/A	Complied
Grade 3					54,310	180	N/A	Complied
Grades 4 - 8	42,480	41,300	54,000	52,500				
Grade 4					55,710	180	N/A	Complied
Grade 5					55,710	180	N/A	Complied
Grade 6					55,710	180	N/A	Complied
Grade 7					56,390	180	N/A	Complied
Grade 8					56,390	180	N/A	Complied
Grades 9 - 12	58,608	56,980	64,800	63,000				
Grade 9					64,892	180	N/A	Complied
Grade 10					64,892	180	N/A	Complied
Grade 11					64,892	180	N/A	Complied
Grade 12					64,892	180	N/A	Complied

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

	Special Reserve Non-Capital	Self Insurance
FUND BALANCE/NET ASSETS		
Balance, June 30, 2010, Unaudited Actuals	\$ 1,192,504	\$ 761,389
Increase in:		
Cash in county treasury	371,520	-
Decrease in:		
Cash in county treasury	-	(371,520)
Balance, June 30, 2010, Audited Financial Statement	<u>\$ 1,564,024</u>	<u>\$ 389,869</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

	(Budget) 2011 ¹	2010 ⁴	2009 ⁴	2008 ⁴
GENERAL FUND				
Revenues and other sources	\$129,049,964	\$134,746,292	\$150,541,033	\$149,325,139
Expenditures ⁴	131,246,869	138,028,765	140,089,588	147,170,679
Other uses and transfers out	609,335	108,374	-	926,258
Total Expenditures and Other Uses	131,856,204	138,137,139	140,089,588	148,096,937
INCREASE/(DECREASE) IN FUND BALANCE	\$ (2,806,240)	\$ (3,390,847)	\$ 10,451,445	\$ 1,228,202
ENDING FUND BALANCE	\$ 25,663,815	\$ 28,470,055	\$ 31,860,902	\$ 21,409,457
AVAILABLE RESERVES ²	\$ 17,461,391	\$ 15,411,630	\$ 17,180,668	\$ 13,715,950
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	13.2%	11.2%	12.3%	9.3%
LONG-TERM OBLIGATIONS	Not Available	\$102,031,934	\$ 99,541,497	\$ 99,494,347
AVERAGE DAILY ATTENDANCE AT P-2 ³	17,949	17,837	17,685	17,527

The General Fund balance has increased by \$7,060,598 over the past two years. The fiscal year 2010-11 budget projects a decrease of \$2,806,240 (9.85 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years but anticipates incurring an operating deficit during the 2010-11 fiscal year. Total long-term obligations have increased by \$2,537,587 over the past two years.

Average daily attendance has increased by 310 over the past two years. Additional growth of 112 ADA is anticipated during fiscal year 2010-11.

¹ Budget 2011 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 Non-Capital Outlay Fund.

³ Excludes Adult Education ADA.

⁴ Excludes State CalSTRS on behalf payments.

See accompanying note to supplementary information.

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MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Sherman Thomas Charter School (Charter Number 20-65243-0100016)	No
Ezequiel Tafoya Alvarado Academy (Charter Number 20-65243-0107938)	No

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2010

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 483,835	\$ 353,692	\$ 2,594,100	\$ 1,264,878
Receivables	642,654	19,496	1,312,472	1,948
Due from other funds	-	-	-	-
Stores inventories	-	-	167,552	-
Total Assets	\$ 1,126,489	\$ 373,188	\$ 4,074,124	\$ 1,266,826
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 41,260	\$ 28,896	\$ 174,214	\$ 167,607
Due to other funds	122,574	91,095	364,328	-
Total Liabilities	163,834	119,991	538,542	167,607
Fund Balances:				
Reserved for:				
Revolving cash	1,039	-	3,140	-
Stores inventories	-	-	167,552	-
Unreserved:				
Designated	762,464	-	67,936	-
Undesignated, reported in:				
Special revenue funds	199,152	253,197	3,296,954	1,099,219
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balances	962,655	253,197	3,535,582	1,099,219
Total Liabilities and Fund Balances	\$ 1,126,489	\$ 373,188	\$ 4,074,124	\$ 1,266,826

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
\$ 1,564,024	\$ 4,666,685	\$ 4,109,826	\$ 1,394,446	\$ 2,719,574	\$ 599,036
-	1,380	-	-	215,353	-
-	-	378,284	111	-	-
-	-	-	-	-	-
<u>\$ 1,564,024</u>	<u>\$ 4,668,065</u>	<u>\$ 4,488,110</u>	<u>\$ 1,394,557</u>	<u>\$ 2,934,927</u>	<u>\$ 599,036</u>
\$ -	\$ 69	\$ 415,327	\$ -	\$ -	\$ -
-	-	111	17	-	-
-	69	415,438	17	-	-
-	-	-	-	-	-
-	-	-	-	-	-
371,520	-	-	-	-	-
1,192,504	-	-	-	-	-
-	-	-	-	2,934,927	599,036
-	4,667,996	4,072,672	1,394,540	-	-
<u>1,564,024</u>	<u>4,667,996</u>	<u>4,072,672</u>	<u>1,394,540</u>	<u>2,934,927</u>	<u>599,036</u>
<u>\$ 1,564,024</u>	<u>\$ 4,668,065</u>	<u>\$ 4,488,110</u>	<u>\$ 1,394,557</u>	<u>\$ 2,934,927</u>	<u>\$ 599,036</u>

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MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, Continued JUNE 30, 2010

	Total Non-Major Governmental Funds
ASSETS	
Deposits and investments	\$ 19,750,096
Receivables	2,193,303
Due from other funds	378,395
Stores inventories	167,552
Total Assets	\$ 22,489,346
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 827,373
Due to other funds	578,125
Total Liabilities	1,405,498
Fund Balances:	
Reserved for:	
Revolving cash	4,179
Stores inventories	167,552
Unreserved:	
Designated	1,201,920
Undesignated, reported in:	
Special revenue funds	6,041,026
Debt service funds	3,533,963
Capital projects funds	10,135,208
Total Fund Balances	21,083,848
Total Liabilities and Fund Balances	\$ 22,489,346

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, 2010

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 271,099	\$ 1,781	\$ 8,044,128
Other state sources	2,806,498	2,038,684	694,595
Other local sources	235,086	180,994	1,221,376
Total Revenues	3,312,683	2,221,459	9,960,099
EXPENDITURES			
Current			
Instruction	1,650,212	1,672,543	-
Instruction-related activities:			
Supervision of instruction	-	33,203	-
School site administration	933,567	196,129	-
Pupil Services:			
Food services	-	28,556	7,577,273
All other pupil services	107,404	80,334	-
General administration:			
All other general administration	122,920	92,476	364,328
Plant services	129,284	113,569	396,397
Facility acquisition and construction	2,712	85,106	-
Debt service			
Principal	-	53,682	-
Interest and other	-	-	-
Total Expenditures	2,946,099	2,355,598	8,337,998
Excess (Deficiency) of			
Revenues Over Expenditures	366,584	(134,139)	1,622,101
Other Financing Sources (Uses):			
Transfers in	-	1,374	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	1,374	-
NET CHANGE IN FUND BALANCES	366,584	(132,765)	1,622,101
Fund Balance - Beginning	596,071	385,962	1,913,481
Fund Balance - Ending	\$ 962,655	\$ 253,197	\$ 3,535,582

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	238,880	-	66,737
18,260	20,587	1,113,171	45,293	18,379	3,434,824
18,260	20,587	1,113,171	284,173	18,379	3,501,561
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	146,710	-	-	-
527,210	-	-	29,142	16,747	-
669,518	-	321,634	4,150,665	-	-
-	-	-	-	-	1,395,000
-	-	-	-	-	1,985,866
1,196,728	-	468,344	4,179,807	16,747	3,380,866
(1,178,468)	20,587	644,827	(3,895,634)	1,632	120,695
-	-	-	1,693,749	-	-
-	-	(1,273,810)	-	(18,620)	-
-	-	(1,273,810)	1,693,749	(18,620)	-
(1,178,468)	20,587	(628,983)	(2,201,885)	(16,988)	120,695
2,277,687	1,543,437	5,296,979	6,274,557	1,411,528	2,814,232
\$ 1,099,219	\$ 1,564,024	\$ 4,667,996	\$ 4,072,672	\$ 1,394,540	\$ 2,934,927

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, 2010

	COP Debt Service Fund	Total Non-Major Governmental Funds
REVENUES		
Federal sources	\$ -	\$ 8,317,008
Other state sources	-	5,845,394
Other local sources	14,030	6,302,000
Total Revenues	14,030	20,464,402
EXPENDITURES		
Current		
Instruction	-	3,322,755
Instruction-related activities:		
Supervision of instruction	-	33,203
School site administration	-	1,129,696
Pupil Services:		
Food services	-	7,605,829
All other pupil services	-	187,738
General administration:		
All other general administration	-	726,434
Plant services	-	1,212,349
Facility acquisition and construction	-	5,229,635
Debt service		
Principal	390,000	1,838,682
Interest and other	876,319	2,862,185
Total Expenditures	1,266,319	24,148,506
Excess (Deficiency) of Revenues Over Expenditures	(1,252,289)	(3,684,104)
Other Financing Sources (Uses):		
Transfers in	1,266,319	2,961,442
Transfers out	-	(1,292,430)
Net Financing Sources (Uses)	1,266,319	1,669,012
NET CHANGE IN FUND BALANCES	14,030	(2,015,092)
Fund Balance - Beginning	585,006	23,098,940
Fund Balance - Ending	\$ 599,036	\$ 21,083,848

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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, 2010. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 23,579,353
Reconciling items:		
Food Distribution	10.555	563,270
ARRA: State Fiscal Stabilization	84.394	6,449,395
Total Schedule of Expenditures of Federal Awards		<u>\$ 30,592,018</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.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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. Senate Bill 2 of the 2009-10 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 thru 2012-13.

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, 2010, which collectively comprise Madera Unified School District's basic financial statements and have issued our report thereon dated December 8, 2010. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 8, 2010.

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.

Varinich, Trine, Day + Co. LLP

Fresno, California
December 8, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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.

Vancinck, Trine, Day & Co. LLP

Fresno, California
December 8, 2010



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, 2010, and have issued our report thereon dated December 8, 2010. 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 2009-10*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes

	Procedures in Audit Guide	Procedures Performed
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

Based on our audit, we found that for the items tested, the Madera Unified School District complied with the State laws and regulations referred to above. 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.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 8, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<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 Section .510(a) of OMB Circular A-133?	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.394</u>	<u>ARRA: State Fiscal Stabilization Fund</u>
<u>84.027, 84.391 (ARRA), 84.173</u>	<u>Special Education Cluster (includes ARRA)</u>
<u>84.010, 84.398 (ARRA)</u>	<u>Title I Cluster (includes ARRA)</u>
<u>10.555, 10.553, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 917,761</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<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, 2010**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no audit findings in the prior year's schedule of financial statement findings.

