

**MADERA UNIFIED  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2011**

# MADERA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2011

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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, 2011, 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 2010-11*, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

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.

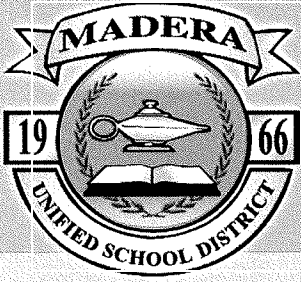
In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison and other postemployment information on pages 58 and 59, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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.

*Varinuk, Trine, Day + Co. LLP*

Fresno, California  
December 6, 2011



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# MADERA UNIFIED SCHOOL DISTRICT

## MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2010-11

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, 2011.

### 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.

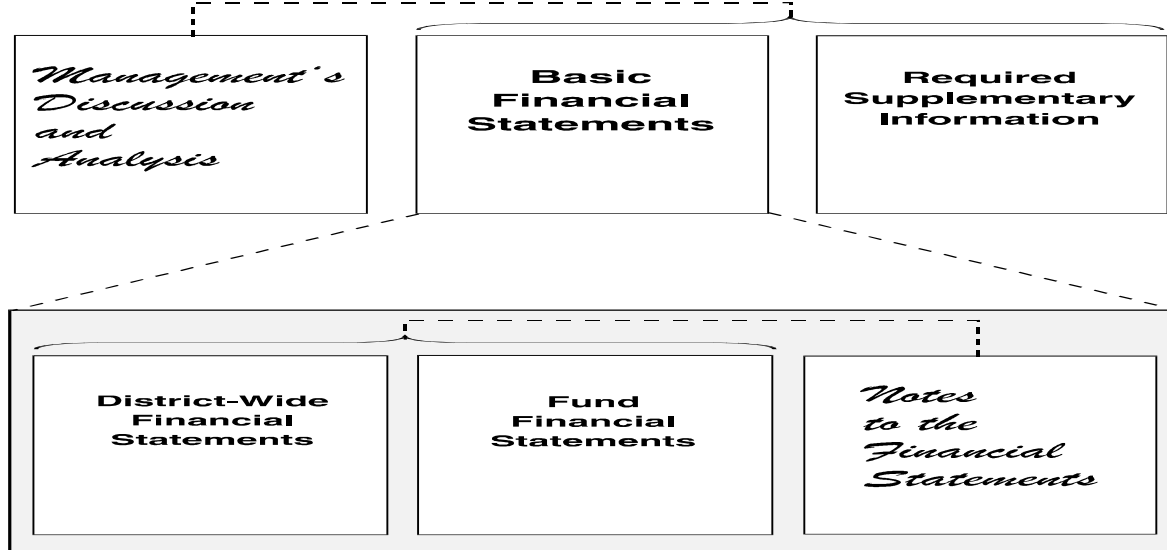
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's 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 2010-11

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



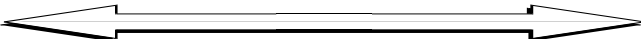
**Summary**  **Detail**

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	Fund Statements		
	District-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities.
Required financial statements	<ul style="list-style-type: none"> <li>• statement of net assets</li> <li>• statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• balance sheet</li> <li>• statement of revenues, expenditures &amp; changes in fund balances</li> <li>• reconciliation to governmentwide financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• statement of fiduciary net assets</li> <li>• statement of changes in fiduciary net assets</li> </ul>
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 2010-11

### 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 2010-11

- **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 ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets.** The District's combined net assets were \$170.5 million on June 30, 2011, increasing by \$4.1 million (2.5 percent). (see Table A-1.)

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

	Governmental Activities		
	2011	2010	Change
Current and Other Assets	\$ 87.1	\$ 83.5	\$ 3.6
Capital Assets	200.4	202.2	(1.8)
<b>Total Assets</b>	<b>287.5</b>	<b>285.7</b>	<b>1.8</b>
Long-Term Obligations Outstanding	101.4	102.0	(0.6)
Other Liabilities	15.6	17.3	(1.7)
<b>Total Liabilities</b>	<b>117.0</b>	<b>119.3</b>	<b>(2.3)</b>
Invested in Capital Assets, net of related debt	120.0	122.4	(2.4)
Restricted	23.2	26.3	(3.1)
Unrestricted	27.3	17.7	9.6
<b>Total Net Assets</b>	<b>\$ 170.5</b>	<b>\$ 166.4</b>	<b>\$ 4.1</b>

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2010-11

**Changes in net assets.** The District's total governmental revenues were \$170.5 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 \$94.7 million and property taxes contributing about \$21.2 million. Another \$46.2 million came from categorical programs and capital grants, \$2.1 million came from fees charged for services, and \$6.3 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$160.9 million. The District's expenses are predominantly related to educating and caring for students (78.9%). The purely administrative activities of the District accounted for just 4.9% of total costs. Maintenance and operations account for 9.2% of the District's expenses.

Total revenues surpassed expenses, increasing net assets \$4.1 million over last year. Governmental activities contributed to the District's healthier fiscal status.

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

	Governmental Activities		
	2011	2010	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 94.7	\$ 87.6	\$ 7.1
Property Taxes	21.2	21.4	(0.2)
Other	6.3	6.9	(0.6)
Program Revenues:			
Charges for Services	2.1	2.1	-
Categorical Revenues and Capital Grants	46.2	40.3	5.9
<b>Total Revenues</b>	<u>170.5</u>	<u>158.3</u>	<u>12.2</u>
Expenses:			
Instruction Related	112.8	114.8	(2.0)
Pupil Services	19.4	19.9	(0.5)
General Administration	8.0	7.5	0.5
Plant Services	14.9	16.2	(1.3)
Other	11.3	8.0	3.3
<b>Total Expenses</b>	<u>166.4</u>	<u>166.4</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	<u><u>\$ 4.1</u></u>	<u><u>\$ (8.1)</u></u>	<u><u>\$ 12.2</u></u>

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2010-11

### 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:

- During the past 3 years, \$21.9 million in budget reductions have been made to maintain the District's financial solvency during the State's fiscal crisis. In 2008-09, \$4.4 million in budget reductions were made along with an additional \$5.4 million in reductions in 2009-10, and \$12.1 million in reductions in 2010-11.
- Revenue Limit funding in 2010-11 was approximately 6.6% higher than 2009-10, due to the 2009-10 one-time per ADA reduction of \$253 being funded in 2010-11.
- In spite of the budget reductions, the District was able to maintain an average of 15.3:1 student teacher ratio in grades K-3 rather than the 28:1 staffing ratio budgeted during the 2010-11 fiscal year.
- The receipt of one-time Federal Ed Jobs Funding, additional State Fiscal Stabilization Funding, prior year Mandated Costs reimbursements, and conservative spending also contributed to the increased ending fund balance.
- The Net Capital Assets decreased \$1.8 million due to depreciation and removal of surplus property.

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	
	2011	2010	2011	2010
Instruction	112.8	114.8	\$ 82.1	\$ 89.5
Student Transportation	5.6	5.1	2.1	1.3
Food Services	7.7	7.7	(1.2)	(1.4)
All Other Pupil Services	6.1	7.1	4.7	6.4
General Administration	8.0	7.5	6.7	6.2
Plant Services	14.9	16.2	14.0	15.5
Other	11.3	8.0	9.7	6.4
<b>Total</b>	<b>\$ 166.4</b>	<b>\$ 166.4</b>	<b>\$ 118.1</b>	<b>\$ 123.9</b>

# **MADERA UNIFIED SCHOOL DISTRICT**

## **Management Discussion and Analysis 2010-11**

### **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 \$70.4 million which was an increase of \$5.8 million over the prior year. The primary reasons for the increase were:

- The increase in the General Fund Balance of \$7.0 million is due primarily to not allocating the 3.85% reduction to Revenue Limit included in the Adopted Budget after the State Budget was adopted, the receipt of additional one-time Federal Ed Jobs Funding, additional one-time State Fiscal Stabilization Funding, and prior-year Mandated Cost Reimbursements.
- The capital projects fund decreased by \$1.7 million due to continued capital outlay.
- The debt service funds increased by about \$0.2 million as local debt service tax revenues exceeded debt service costs.
- The special revenue funds increased by \$0.3 million. Although the deferred maintenance fund decreased by \$0.7 million due to ongoing maintenance, the cafeteria fund increased by about \$1.3 million due to purchasing more products under contract at a lower cost and serving more reimbursable free meals.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June, 2011. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.) Significant Federal and State revenue revisions were made during the year increasing those estimates as it became apparent that actual increases would be realized. Corresponding expenditure revisions were made as well.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of 2011, the District had invested \$200.4 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices. (See Table A-4.) This amount represents a net decrease of \$1.8 million or 0.9% over last year. Total accumulated depreciation for the year exceeded \$62.1 million.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2010-11

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

	Governmental Activities		Total Percentage Change
	2011	2010	
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	9.1	9.1	0.0%
Construction in Progress	3.7	2.3	60.9%
Buildings	168.1	171.8	-2.2%
Furniture and Equipment	5.7	5.2	9.6%
<b>Total</b>	<b>\$ 200.4</b>	<b>\$ 202.2</b>	<b>-0.9%</b>

### LONG-TERM OBLIGATIONS

At year-end the District had \$101.4 million long-term obligations outstanding – a decrease of 0.4% from last year - as shown in Table A-5.

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

	Governmental Activities		Total Percentage Change
	2011	2010	
General Obligation Bonds	\$ 74.5	\$ 74.6	-0.1%
Certificates of Participation	17.1	17.5	-2.3%
Capital Leases Payable	2.1	2.4	-12.5%
Early Retirement	3.7	3.7	0.0%
Compensated Absences	1.0	1.1	-9.1%
Other Postemployment Benefits	2.8	2.4	16.7%
State Preschool Loan	0.2	0.3	-33.3%
<b>Total</b>	<b>\$ 101.4</b>	<b>\$ 102.0</b>	<b>\$ (0.4)</b>

The District's S&P bond rating as of the most recent bond issuance was "AAA". In addition, the District's certificates of participation S&P rating at the time of their last issuance was "AAA".

# **MADERA UNIFIED SCHOOL DISTRICT**

## **Management Discussion and Analysis 2010-11**

### **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 1.54% in 2011-12, the current District Contribution is \$14,185 per employee working more than four hours per day, five days per week.
- One-time and on-going costs associated with re-opening 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.

### **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, 2011

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 51,390,594
Receivables	33,969,884
Prepaid expenses	16,488
Deferred issuance costs	1,111,921
Stores inventories	634,138
Nondepreciable capital assets	17,437,702
Capital assets being depreciated	245,067,196
Accumulated depreciation	(62,129,275)
<b>Total Assets</b>	<b>287,498,648</b>
<b>LIABILITIES</b>	
Accounts payable	11,398,341
Deferred revenue	938,780
Current loans	3,240,000
Current portion of long-term obligations	4,026,184
Noncurrent portion of long-term obligations	97,415,113
<b>Total Liabilities</b>	<b>117,018,418</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	120,014,418
Restricted for:	
Debt service	3,713,862
Capital projects	9,921,975
Educational programs	4,252,866
Other activities	5,246,175
Unrestricted	27,330,934
<b>Total Net Assets</b>	<b>\$ 170,480,230</b>

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



# MADERA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 94,733,405	\$ 70,671	\$ 25,025,965
Instruction-related activities:			
Supervision of instruction	4,645,649	123	3,856,259
Instructional library, media, and technology	1,415,388	747	385,176
School site administration	12,011,433	165,392	1,154,081
Pupil services:			
Home-to-school transportation	5,634,784	525,379	2,995,015
Food services	7,650,948	936,582	7,926,718
All other pupil services	6,093,300	183	1,375,898
Administration:			
Data processing	1,450,835	-	7,358
All other administration	6,533,475	46,944	1,247,205
Plant services	14,901,720	58,664	880,901
Ancillary services	1,854,864	-	22,998
Community services	13,242	-	129
Interest on long-term obligations	4,625,958	-	-
Other outgo	4,816,556	302,969	1,321,132
<b>Total Governmental Activities</b>	<b>\$ 166,381,557</b>	<b>\$ 2,107,654</b>	<b>\$ 46,198,835</b>
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			
Miscellaneous			
<b>Subtotal, General Revenues</b>			
<b>Change in Net Assets</b>			
Net Assets - Beginning			
Net Assets - Ending			

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

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

---

**Governmental  
Activities**

---

\$ (69,636,769)

(789,267)

(1,029,465)

(10,691,960)

(2,114,390)

1,212,352

(4,717,219)

(1,443,477)

(5,239,326)

(13,962,155)

(1,831,866)

(13,113)

(4,625,958)

(3,192,455)

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(118,075,068)

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16,948,593

3,810,191

472,158

94,636,217

643,604

143,766

5,501,562

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122,156,091

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4,081,023

166,399,207

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\$ 170,480,230

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# MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2011

	General Fund	Building Fund	Non-Major Governmental Funds
<b>ASSETS</b>			
Deposits and investments	\$ 19,615,239	\$ 13,615,571	\$ 18,159,784
Receivables	32,103,463	-	1,866,421
Due from other funds	158,742	-	561,317
Prepaid expenditures	16,488	-	-
Stores inventories	494,233	-	139,905
<b>Total Assets</b>	<b>\$ 52,388,165</b>	<b>\$ 13,615,571</b>	<b>\$ 20,727,427</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 11,182,941	\$ -	\$ 215,400
Due to other funds	677	13,416	705,966
Current loans	3,240,000	-	-
Deferred revenue	937,734	-	1,046
<b>Total Liabilities</b>	<b>15,361,352</b>	<b>13,416</b>	<b>922,412</b>
<b>Fund Balances:</b>			
Nonspendable	538,721	-	143,045
Restricted	3,329,863	13,602,155	16,991,966
Committed	-	-	1,274,318
Assigned	4,169,748	-	1,395,686
Unassigned	28,988,481	-	-
<b>Total Fund Balances</b>	<b>37,026,813</b>	<b>13,602,155</b>	<b>19,805,015</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 52,388,165</b>	<b>\$ 13,615,571</b>	<b>\$ 20,727,427</b>

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

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<b>Total Governmental Funds</b>	
\$	51,390,594
	33,969,884
	720,059
	16,488
	634,138
\$	86,731,163

\$	11,398,341
	720,059
	3,240,000
	938,780
	16,297,180
	681,766
	33,923,984
	1,274,318
	5,565,434
	28,988,481
	70,433,983
\$	86,731,163

# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

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**Total Fund Balance - Governmental Funds** **\$ 70,433,983**  
**Amounts Reported for Governmental Activities in the**  
**Statement of Net Assets are Different Because:**

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	\$ 262,504,898	
Accumulated depreciation is	<u>(62,129,275)</u>	
Net Capital Assets		200,375,623

Expenditures relating to issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis.

1,111,921

Long-term obligations at year-end consist of:

Bonds payable	74,443,824	
Certificates of participation	17,095,000	
State preschool loan program	241,092	
Compensated absences (vacations)	1,018,730	
Early retirement programs	3,699,513	
Capital leases payable	2,141,177	
Net OPEB obligation	<u>2,801,961</u>	
Total Long-Term Obligations		<u>(101,441,297)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 170,480,230</u></b>

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 BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Non-Major Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$ 94,629,234	\$ -	\$ -
Federal sources	18,579,176	-	8,128,261
Other State sources	28,382,851	-	2,392,947
Other local sources	7,430,632	182,060	6,728,802
<b>Total Revenues</b>	<b>149,021,893</b>	<b>182,060</b>	<b>17,250,010</b>
<b>EXPENDITURES</b>			
Current			
Instruction	87,603,429	-	2,209,986
Instruction-related activities:			
Supervision of instruction	4,636,314	-	-
Instructional library, media and technology	1,406,589	-	-
School site administration	11,452,459	-	628,062
Pupil services:			
Home-to-school transportation	6,049,609	-	-
Food services	102	-	7,668,736
All other pupil services	6,046,251	-	29,343
Administration:			
Data processing	1,299,795	-	-
All other administration	6,041,566	-	630,566
Plant services	13,994,610	-	864,884
Facility acquisition and construction	7,670	-	2,238,523
Ancillary services	1,915,061	-	-
Community services	13,242	-	-
Other outgo	859,804	-	-
Debt service			
Principal	291,177	-	2,103,682
Interest and other	212,535	-	2,870,132
<b>Total Expenditures</b>	<b>141,830,213</b>	<b>-</b>	<b>19,243,914</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>7,191,680</b>	<b>182,060</b>	<b>(1,993,904)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	401,054	-	3,555,698
Transfers out	(600,000)	(1,690,279)	(1,276,604)
<b>Net Financing Sources (Uses)</b>	<b>(198,946)</b>	<b>(1,690,279)</b>	<b>2,279,094</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,992,734</b>	<b>(1,508,219)</b>	<b>285,190</b>
<b>Fund Balance - Beginning</b>	<b>30,034,079</b>	<b>15,110,374</b>	<b>19,519,825</b>
<b>Fund Balance - Ending</b>	<b>\$ 37,026,813</b>	<b>\$ 13,602,155</b>	<b>\$ 19,805,015</b>

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

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<b>Total Governmental Funds</b>	
\$	94,629,234
	26,707,437
	30,775,798
	14,341,494
	<u>166,453,963</u>
	89,813,415
	4,636,314
	1,406,589
	12,080,521
	6,049,609
	7,668,838
	6,075,594
	1,299,795
	6,672,132
	14,859,494
	2,246,193
	1,915,061
	13,242
	859,804
	2,394,859
	3,082,667
	<u>161,074,127</u>
	<u>5,379,836</u>
	3,956,752
	<u>(3,566,883)</u>
	<u>389,869</u>
	5,769,705
	64,664,278
\$	<u><u>70,433,983</u></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, 2011

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 5,769,705**  
**Amounts Reported for Governmental Activities in the Statement  
of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

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

Depreciation expense	\$ (5,887,754)	
Capital outlays	<u>4,054,811</u>	
Net Expense Adjustment		(1,832,943)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (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). This year, special termination benefits accepted exceeded those paid by \$42,267. Vacation earned was less than the amounts paid by \$116,582.

74,315

Postemployment benefits other than pensions (OPEB): In governmental funds, 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:

(443,618)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

General obligation bonds	1,645,000
Certificates of participation	405,000
State preschool loan program	53,682
Capital lease obligations	291,177

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, 2011

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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 includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.

(1,486,784)

An internal service fund was used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The fund is inactive and the balance of \$389,969 has been transferred to the General Fund.

(389,869)

**Change in Net Assets of Governmental Activities**

\$ 4,081,023

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, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	\$ -
<b>Total Current Assets</b>	-
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	-
<b>Total Current Liabilities</b>	-
<b>NET ASSETS</b>	
Unrestricted	-
<b>Total Net Assets</b>	\$ -

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, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>NONOPERATING EXPENSES</b>	
Transfers out	\$ (389,869)
<b>Total Nonoperating Expenses</b>	<b>(389,869)</b>
<b>Change in Net Assets</b>	<b>(389,869)</b>
<b>Total Net Assets - Beginning</b>	<b>389,869</b>
<b>Total Net Assets - Ending</b>	<b>\$ -</b>

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, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers out	\$ (389,869)
Net Decrease in Cash and Cash Equivalents	(389,869)
Cash and Cash Equivalents - Beginning	389,869
Cash and Cash Equivalents - Ending	<u><u>\$ -</u></u>

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

# MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2011

	Scholarship Trusts	Agency Funds
<b>ASSETS</b>		
Deposits and investments	\$ 105,497	\$ 298,046
<b>Total Assets</b>	<u>105,497</u>	<u>298,046</u>
<b>LIABILITIES</b>		
Due to student groups		
Dixieland	-	\$ 9,847
Jefferson	-	3,551
King	-	28,433
La Vina	-	764
Washington	-	2,562
Madera High	-	120,552
Ripperdan High	-	11,155
Desmond Middle	-	1,516
Madera South High	-	119,666
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 298,046</u>
<b>NET ASSETS - RESERVED</b>		
Lorraine Thompson Scholarship	47,123	
Student Government Scholarship	4,257	
Albonico Scholarship	9,285	
E. L. L. Scholarship	930	
Ray Pool Scholarship	444	
J. Desmond Scholarship	120	
Michael A. Wong Class 85' Scholarship	1,000	
Dave Schoettler Memorial Scholarship	1,740	
Esperanza Scholarship	255	
K. Roberts Memorial Scholarship	120	
J. Hinton Scholarship	550	
Science and Health Scholarship	43	
FCCLA Scholarship	296	
Binger Scholarship	2,293	
Cardenazzi Roberts Scholarship	593	
Rodger Scott Memorial Scholarship	600	
School of Business Scholarship	500	
Madera Lions Club	31,583	
Audrey Pool Scholarship	1,000	
F.F.A Memorial Fund Scholarship	1,765	
M Wong Class of 85' Scholarship (MSHS)	1,000	
<b>Total Net Assets</b>	<u>\$ 105,497</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, 2011

	<b>Scholarship Trusts</b>
<b>ADDITIONS</b>	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 611
Albonico Scholarship	25
Michael A Wong Class 85' Scholarship	1,000
Dave Schoettler Mem Scholarship	1,025
J. Hinton Scholarship	500
Science & Health Scholarship	1
Binger Scholarship	28
Cardenazzi Roberts Scholarship	8
Mike Young Scholarship	165
Joan Davis Scholarship	293
Madera Lions Club	410
Audrey Pool Scholarship	2,000
F.F.A Memorial Fund Scholarship	1,765
M Wong Class of 85' Scholarship (MSHS)	1,000
<b>Total Additions</b>	<b>8,831</b>
<b>DEDUCTIONS</b>	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	4,000
Student Government Scholarship	1,035
Albonico Scholarship	150
E.L.L. Scholarship	800
Gomez-Vidal Scholarship	3,500
Michael A. Wong Class 85' Scholarship	1,500
Dave Schoettler Mem Scholarship	2,000
Esperanza Scholarship	250
J. Hinton Scholarship	500
Science & Health Scholarship	250
Cardenazzi Roberts Scholarship	3,000
Mike Young Scholarship	500
Joan Davis Scholarship	500
Madera Lions Club	1,000
Audrey Pool Scholarship	1,000
<b>Total Deductions</b>	<b>19,985</b>
<b>Change in Net Assets</b>	<b>(11,154)</b>
<b>Net Assets - Beginning</b>	<b>116,651</b>
<b>Net Assets - Ending</b>	<b>\$ 105,497</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 COP 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, 2011

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### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, it functions effectively as an extension of the General Fund, and accordingly has been consolidated with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$1,708,832.

**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 of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

**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.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

**Capital Project Funds** The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

**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 used to account for and report financial resources that are restricted, committed, or assigned to expenditures for 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 inactive and has been closed out to the General Fund in the current year.

**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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the Scholarship Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

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

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 balances 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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

**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 60 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.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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### **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.

### **Investments**

Investments held at June 30, 2011, 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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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.

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.

### Deferred Issuance Costs and Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

### 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.

### Current Loans

Current loans consist of amounts outstanding at June 30, 2011, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

### Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business official may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy states that the District intends to maintain a minimum fund balance of three percent of the District's General Fund in the third year of the District's current multi-year plan.

### 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 \$23,134,878 of restricted net assets.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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.

### Changes in Accounting Principles

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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

### New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 51,390,594
Fiduciary funds	403,543
Total Deposits and Investments	<u>\$ 51,794,137</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 335,506
Cash in revolving	32,319
Investments	51,426,312
Total Deposits and Investments	<u>\$ 51,794,137</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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.

### 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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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	\$ 51,426,312	\$ -	\$ 51,426,312	\$ -	\$ -

### 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	\$ 51,426,312	N/A	\$ -	\$ -	\$ 51,426,312

N/A - Not applicable

### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There were no investments in any one issuer that represent five percent or more of the total investments.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### 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, 2011, \$105,203 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.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, 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	\$ 1,188,753	\$ 1,274,286	\$ 2,463,039
State Government			
Apportionment	24,559,280	18,400	24,577,680
Categorical aid	1,311,953	223,001	1,534,954
Lottery	1,322,112	-	1,322,112
Interest	36,564	-	36,564
Other State	2,187,826	-	2,187,826
Local Sources	1,496,975	350,734	1,847,709
Total Fund Statements	<u>\$ 32,103,463</u>	<u>\$ 1,866,421</u>	<u>\$ 33,969,884</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	2,320,142	1,633,382	279,154	3,674,370
Total Capital Assets Not Being Depreciated	16,083,474	1,633,382	279,154	17,437,702
Capital Assets being depreciated				
Land improvements	10,502,709	558,580	-	11,061,289
Buildings and improvements	216,030,306	251,408	-	216,281,714
Furniture and equipment	16,741,463	1,890,593	907,863	17,724,193
Total Capital Assets Being Depreciated	243,274,478	2,700,581	907,863	245,067,196
Less Accumulated Depreciation				
Land improvements	1,441,020	473,932	-	1,914,952
Buildings and improvements	44,194,813	4,023,695	-	48,218,508
Furniture and equipment	11,513,553	1,390,125	907,863	11,995,815
Total Accumulated Depreciation	57,149,386	5,887,752	907,863	62,129,275
Governmental Activities Capital Assets, Net	\$ 202,208,566	\$ (1,553,789)	\$ 279,154	\$ 200,375,623

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,754,293
School Administration	155,133
Pupil Transportation	748,768
Food Services	18,590
Data Processing Services	153,684
Plant Maintenance and Operations	57,284
Total Depreciation Expenses Governmental Activities	\$ 5,887,752

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### NOTE 5 - 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, 2011, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 158,742	\$ 677
Building	-	13,416
Total Major Governmental Funds	158,742	14,093
Total Non-Major Funds	561,317	705,966
Total All Governmental Funds	\$ 720,059	\$ 720,059

The Adult Education Fund owes the General Fund for indirect cost and administration cost.

\$ 863

The General Fund owes the Adult Education Fund for a temporary loan adjustment.

287

The General Fund owes the Child Development Fund for a temporary loan adjustment.

390

The Child Development Fund owes the General Fund for a temporary cash flow loan.

100,002

The Cafeteria Fund owes the General Fund for indirect costs.

39,240

The Cafeteria Fund owes the General Fund for auto services cost.

7,452

The Building Fund owes the County Schools Facilities Fund for current liabilities.

13,416

The Capital Facilities Fund owes the General Fund three percent of developer fees for administrative costs.

11,185

The Capital Facilities Fund owes the Debt Service Fund for the debt service payment.

547,224

Total

\$ 720,059

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

The Building Fund transferred to the County School Facilities Fund for qualified GO Bond school construction costs.	\$ 1,690,279
The General Fund transferred to the Adult Education Fund for Tier III adjustments.	600,000
The Capital Facilities Fund transferred to the General Fund three percent of the developer fees collected for administrative services.	11,185
The Capital Facilities Fund transferred to the COP Debt Service Fund for the required debt service payment.	1,265,419
The Self Insurance Fund transferred remaining unrestricted funds to the General Fund for voting rights lawsuit and other board-approved expenditures.	389,869
Total	<u>\$ 3,956,752</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.

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,008,778	\$ 146,879	\$ 2,155,657
Deferred payroll	4,576,294	-	4,576,294
Health and welfare pass-through	4,039,511	3,658	4,043,169
Accrued salaries and benefits	558,358	64,863	623,221
Total	<u>\$ 11,182,941</u>	<u>\$ 215,400</u>	<u>\$ 11,398,341</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 859,985	\$ -	\$ 859,985
State categorical aid	77,749	1,046	78,795
Total	<u>\$ 937,734</u>	<u>\$ 1,046</u>	<u>\$ 938,780</u>

### NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$4,680,000, which matured on December 30, 2010. On July 1, 2010, the District issued \$5,055,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2011. By May 31, 2011, the District had set aside 100 percent of principal and interest within the County Treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. On April 14, 2011, the District issued \$3,240,000 Tax and Revenue Anticipation Notes bearing interest at 2.5 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on January 31, 2012. By September 30, 2011, the District had set aside 100 percent of principal and interest within the County Treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. At June 30, 2011, the District has recorded the cash available to make the principal and interest payments as Cash in the County Treasury Pool with the corresponding liability as a current loan.

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2010	Additions	Payments	Outstanding June 30, 2011
April 27, 2010	2.50%	December 30, 2010	\$4,680,000	\$ -	\$4,680,000	\$ -
July 1, 2010	2.00%	June 1, 2011	-	5,055,000	5,055,000	-
April 14, 2011	2.50%	January 31, 2012	-	3,240,000	-	3,240,000
Total			<u>\$4,680,000</u>	<u>\$8,295,000</u>	<u>\$9,735,000</u>	<u>\$ 3,240,000</u>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds-2003	\$ 13,370,000	\$ -	\$ 115,000	\$ 13,255,000	\$ 155,000
General obligation bonds-2005					
Current Interest Bonds	10,190,000	-	870,000	9,320,000	965,000
Capital Appreciation Bonds	17,319,129	885,635	-	18,204,764	-
General obligation bonds-2006					
Current Interest Bonds	1,690,000	-	125,000	1,565,000	140,000
Capital Appreciation Bonds	2,321,030	113,435	-	2,434,465	-
General obligation bonds-2007					
Current Interest Bonds	17,830,000	-	535,000	17,295,000	615,000
Capital Appreciation Bonds	10,792,719	487,714	-	11,280,433	-
Premium	1,141,027	-	51,865	1,089,162	51,865
Certificates of participation-2004	17,500,000	-	405,000	17,095,000	420,000
State Preschool Revolving Loan	294,774	-	53,682	241,092	53,682
Compensated absences - net	1,135,312	-	116,582	1,018,730	-
Early retirement programs	3,657,246	1,517,983	1,475,716	3,699,513	1,319,313
Capital leases	2,432,354	-	291,177	2,141,177	306,324
Other postemployment benefits	2,358,343	3,074,585	2,630,967	2,801,961	-
Total	<u>\$ 102,031,934</u>	<u>\$ 6,079,352</u>	<u>\$ 6,669,989</u>	<u>\$ 101,441,297</u>	<u>\$ 4,026,184</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax 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, 2011**

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2011
<b>Current Interest Bonds:</b>							
2002 - Series 2003 General Obligation Bonds:							
8/1/2003	8/2004-8/2028	1-4.90%	\$ 16,200,000	\$ 13,370,000	\$ -	\$ 115,000	\$ 13,255,000
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2006-8/2017	3-5%	12,670,000	10,190,000	-	870,000	9,320,000
2002 - Series 2006 General Obligation Bonds:							
3/1/06	8/1/2018	3.75-4%	1,915,000	1,690,000	-	125,000	1,565,000
2002 - Series 2007 General Obligation Bonds:							
3/1/07	8/2007-8/2023	4-5%	18,690,000	17,830,000	-	535,000	17,295,000
<b>Capital Appreciation Bonds:</b>							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2018-8/2029	4.77-5.23%	13,329,104	17,319,129	885,635	-	18,204,764
2002 - Series 2006 General Obligation Bonds:							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,321,030	113,435	-	2,434,465
2002 - Series 2007 General Obligation Bonds:							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	10,792,719	487,714	-	11,280,433
Total				<u>\$ 73,512,878</u>	<u>\$ 1,486,784</u>	<u>\$ 1,645,000</u>	<u>\$ 73,354,662</u>

### Debt Service Requirements to Maturity

#### 2002 - Series 2003 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	345,000	606,324	951,324
2017-2021	2,695,000	2,718,953	5,413,953
2022-2026	4,915,000	1,783,700	6,698,700
2027-2029	4,420,000	345,500	4,765,500
Total	<u>\$ 13,255,000</u>	<u>\$ 7,994,476</u>	<u>\$ 21,249,476</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### 2002 - Series 2005 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,450,000	204,000	1,654,000
2017-2018	3,355,000	171,625	3,526,625
Total	<u>\$ 9,320,000</u>	<u>\$ 1,809,763</u>	<u>\$ 11,129,763</u>

### 2002 - Series 2006 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	200,000	35,810	235,810
2017-2019	720,000	56,830	776,830
Total	<u>\$ 1,565,000</u>	<u>\$ 303,480</u>	<u>\$ 1,868,480</u>

### 2002 - Series 2007 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,005,000	694,788	1,699,788
2017-2021	7,020,000	2,672,676	9,692,676
2022-2024	6,260,000	646,000	6,906,000
Total	<u>\$ 17,295,000</u>	<u>\$ 7,112,416</u>	<u>\$ 24,407,416</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

### 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	\$ 1,384,075	\$ 280,000	\$ 197,960	\$ -	\$ -
2020	2,015,000	1,375,439	295,000	199,066	-	-
2021	2,100,000	1,360,800	305,000	196,603	-	-
2022	2,200,000	1,351,680	325,000	199,615	-	-
2023	2,300,000	1,339,060	335,000	196,377	-	-
2024-2028	13,140,000	6,465,303	1,930,000	975,555	10,720,000	5,663,103
2029-2032	12,450,000	4,928,407	1,435,000	469,289	12,830,000	5,617,330
Total	<u>\$ 36,130,000</u>	<u>\$ 18,204,764</u>	<u>\$ 4,905,000</u>	<u>\$ 2,434,465</u>	<u>\$ 23,550,000</u>	<u>\$ 11,280,433</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
2012	\$ 53,682
2013	33,735
2014	33,735
2015	33,735
2016	33,735
2017-2018	52,470
Total	<u>\$ 241,092</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### 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, 2011, the principal balance outstanding was \$17,095,000.

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%	<u>\$ 17,500,000</u>	<u>\$ 405,000</u>	<u>\$ 17,095,000</u>

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	500,000	772,113	1,272,113
2017-2021	2,910,000	3,458,815	6,368,815
2022-2026	3,705,000	2,655,565	6,360,565
2027-2031	4,735,000	1,630,576	6,365,576
2032-2034	3,455,000	360,032	3,815,032
Total	<u>\$ 17,095,000</u>	<u>\$ 12,175,521</u>	<u>\$ 29,270,521</u>

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$1,018,730.

### 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 \$3,699,513 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$1,475,716.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### 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, 2010	\$ 2,432,354
Payments	291,177
Balance, June 30, 2011	<u>\$ 2,141,177</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	\$ 409,737
2013	409,737
2014	409,737
2015	409,737
2016	409,737
2017-2018	457,551
Total	<u>2,506,236</u>
Less: Amount Representing Interest	<u>365,059</u>
Present Value of Minimum Lease Payments	<u>\$ 2,141,177</u>

### Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$2,956,668, and contributions made by the District during the year were \$2,477,529. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$117,917 and \$(153,438), respectively, which resulted in an increase to the net OPEB obligation of \$443,618. As of June 30, 2011, the net OPEB obligation was \$2,801,961. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 28,000	\$ -	\$ 3,140	\$ 31,140
Stores inventories	494,233	-	139,905	634,138
Prepaid expenditures	16,488	-	-	16,488
Total Nonspendable	538,721	-	143,045	681,766
Restricted				
Legally restricted programs	3,329,863	-	45,834	3,375,697
Capital projects	-	13,602,155	8,526,289	22,128,444
Debt services	-	-	3,713,862	3,713,862
Food service	-	-	4,705,981	4,705,981
Total Restricted	3,329,863	13,602,155	16,991,966	33,923,984
Committed				
Adult education program	-	-	877,169	877,169
Deferred maintenance program	-	-	397,149	397,149
Total Committed	-	-	1,274,318	1,274,318
Assigned				
Vacation accrual	1,018,730	-	-	1,018,730
District textbooks	745,616	-	-	745,616
Legal and mandated cost contracts	389,220	-	-	389,220
Classified health clerks	229,897	-	-	229,897
Professional development	212,504	-	-	212,504
Demographic and transportation contracts	212,361	-	-	212,361
Time clock plus	186,015	-	-	186,015
CELDT testing	176,327	-	-	176,327
Summer school costs	130,917	-	-	130,917
Edusoft system bundle	129,500	-	-	129,500
Star program	106,796	-	-	106,796
Safety program	102,286	-	-	102,286
Capital projects	-	-	1,395,686	1,395,686
Other	529,579	-	-	529,579
Total Assigned	4,169,748	-	1,395,686	5,565,434
Unassigned	28,988,481	-	-	28,988,481
Total Unassigned	28,988,481	-	-	28,988,481
Total	\$37,026,813	\$13,602,155	\$19,805,015	\$70,433,983

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, there were no District major funds that exceeded the budgeted amounts.

### NOTE 12 - 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.

#### 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 pay-as-you-go financing requirements. For fiscal year 2010-11, the District contributed \$2,477,529 to the plan, all of which was used for current premiums (approximately 87 percent of total premiums). Plan members receiving benefits contributed \$370,895, or approximately 13 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
Interest on net OPEB obligation	117,917
Adjustment to annual required contribution	(153,438)
Annual OPEB cost (expense)	<u>2,921,147</u>
Contributions made	<u>(2,477,529)</u>
Increase in net OPEB obligation	443,618
Net OPEB obligation, beginning of year	2,358,343
Net OPEB obligation, end of year	<u><u>\$ 2,801,961</u></u>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 2,921,147	\$ 2,477,529	84.81%	\$ 2,801,961
2010	\$ 2,956,668	\$ 1,679,633 <sup>1</sup>	56.81%	\$ 2,358,343
2009	\$ 2,775,723	\$ 1,694,415 <sup>1</sup>	61.04%	\$ 1,081,308

<sup>1</sup> Amount did not include factor of 1.1272 to adjust for the implicit rate subsidy.

### 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.

### 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, 2011, was 28 years. The actuarial value of assets was not determined in this actuarial valuation.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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### **NOTE 13 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending 2011, 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.

### **NOTE 14 - 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.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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### **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 2010-11 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, 2011, 2010, and 2009, were \$5,262,148, \$5,509,271, and \$5,782,110, 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.

### **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 2010-11 was 10.707 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, 2011, 2010, and 2009, were \$2,018,415, \$1,911,376, and \$1,932,664, respectively, and equal 100 percent of the required contributions for each year.

### **Social Security**

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 \$2,721,644 (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 15 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

#### 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, 2011, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Future High School	\$ 195,000,000	2021
LaVina Playground Paving Project	120,000	2012
Total	<u>\$ 195,120,000</u>	

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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### **NOTE 16 - 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, 2011, the District made payment of \$1,822,643 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2011, the District made payment of \$25,854,895 to CVT for health and welfare benefits.

### **NOTE 17 - SUBSEQUENT EVENTS**

The District issued \$4,965,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on March 1, 2012, and yield 2.0 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that principal and interest be deposited with the Fiscal Agent by February 29, 2012.

### **NOTE 18 - 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), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### NOTE 19 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011, to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Fund 17, Special Reserve Non-Capital Fund, as presented in the Non-Major Governmental Fund opinion unit, is reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

#### **General Fund**

Fund Balance - Beginning	\$ 28,470,055
Change in accounting principles to conform to GASB Statement No. 54	<u>1,564,024</u>
Fund Balance - Beginning as Restated	<u><u>\$ 30,034,079</u></u>

#### **Non-Major Governmental Funds**

Fund Balance - Beginning	\$ 21,083,849
Change in accounting principles to conform to GASB Statement No. 54	<u>(1,564,024)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 19,519,825</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# MADERA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 89,457,807	\$ 94,654,837	\$ 94,629,234	\$ (25,603)
Federal sources	10,383,958	23,368,816	18,579,176	(4,789,640)
Other State sources	24,248,309	25,774,948	25,699,041	(75,907)
Other local sources	4,954,992	7,085,006	7,430,632	345,626
<b>Total Revenues <sup>1</sup></b>	<b>129,045,066</b>	<b>150,883,607</b>	<b>146,338,083</b>	<b>(4,545,524)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	63,133,334	65,233,497	64,417,161	816,336
Classified salaries	16,907,195	18,629,870	18,360,232	269,638
Employee benefits	33,701,973	35,161,879	34,143,795	1,018,084
Books and supplies	9,714,182	17,276,409	9,198,191	8,078,218
Services and operating expenditures	7,144,804	12,647,049	10,478,521	2,168,528
Other outgo	654,716	1,251,958	375,329	876,629
Capital outlay	-	2,373,880	1,763,437	610,443
Debt service - principal	291,177	291,177	291,177	-
Debt service - interest	118,560	118,560	118,560	-
<b>Total Expenditures <sup>1</sup></b>	<b>131,665,941</b>	<b>152,984,279</b>	<b>139,146,403</b>	<b>13,837,876</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,620,875)</b>	<b>(2,100,672)</b>	<b>7,191,680</b>	<b>9,292,352</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,898	272,719	401,054	128,335
Transfers out	(600,000)	(600,000)	(600,000)	-
<b>Net Financing Sources (Uses)</b>	<b>(595,102)</b>	<b>(327,281)</b>	<b>(198,946)</b>	<b>128,335</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,215,977)</b>	<b>(2,427,953)</b>	<b>6,992,734</b>	<b>9,420,687</b>
<b>Fund Balance - Beginning</b>	<b>28,841,575</b>	<b>28,841,575</b>	<b>30,034,079</b>	<b>1,192,504</b>
<b>Fund Balance - Ending</b>	<b>\$ 25,625,598</b>	<b>\$ 26,413,622</b>	<b>\$ 37,026,813</b>	<b>\$ 10,613,191</b>

<sup>1</sup> On behalf payments are not included in the revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to Fund 17 are included in the Actual revenues and expenditures, however, are not included in the original and final General Fund budgets.



# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2011

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
July 1, 2009	\$ -	\$ 25,869,698	\$ 25,869,698	0.00%	\$ 82,634,976	31.31%
March 31, 2007	\$ -	\$ 31,004,861	\$ 31,004,861	0.00%	\$ 85,523,838	36.25%

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***SUPPLEMENTARY INFORMATION***

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# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 133,337
Secondary Education	84.002	13978	25,354
Institutionalized Adults	84.002	13971	10,000
English, Literature & Civics	84.002A	14109	53,973
No Child Left Behind			
Title I Cluster			
Title I - Part A, Basic	84.010	14329	7,313,422
ARRA, Title I - Part A, Basic	84.389	15005	2,741,695
Title I - School Improvement Program	84.010	14971	234,318
ARRA, Title I - School Improvement Program	84.389	15004	109,323
Subtotal Title I Cluster			<u>10,398,758</u>
Title I - Part C, Migrant	84.011	14326	55,072
Title II - Part A, Teacher Quality	84.367	14341	1,075,227
Title II - Part A, Administrator Training	84.367	14344	848
Education Technology Cluster			
Title II - Part D, EETT - Formula Grants	84.318	14334	409
Title II - Part D, EETT - Competitive Grants	84.318	14368	21,078
ARRA, Title II - Part D, EETT - Formula Grants	84.386	15019	112,559
ARRA, Title II - Part D, EETT - Competitive Grants	84.386	15126	119,977
Subtotal Education Technology Cluster			<u>254,023</u>
Title III - LEP	84.365	10084	468,677
Title IV- Part A, Safe and Drug Free Schools	84.186	14347	69,507
Title X - McKinney-Vento Homeless Assistance	84.196	14332	618
Education Jobs Fund	84.410	25152	3,216,240
ARRA: State Fiscal Stabilization Fund	84.394	25008	1,027,603
Special Education Cluster			
IDEA, Basic Local Assistance	84.027	13379	1,213,537
IDEA, Basic Local Assistance, Private School	84.027	10115	2,594
ARRA, IDEA, Basic Local Assistance	84.391	15003	541,970
California Preschool Instructional Network (CPIN)			
Special Education Leads	84.173	14530	2,432
Subtotal Special Education Cluster			<u>1,760,533</u>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 50,708
Technology Secondary Education	84.048	13924	178,829
Total U.S. Department of Education			<u>18,779,307</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	5,882,855
Basic Breakfast	10.553	13525	28,434
Especially Needy Breakfast	10.553	13526	1,362,853
Meals Supplements - Snack	10.555	13391	182,391
Summer Food Program	10.559	13004	189,015
Food Distribution	10.555	13391	646,953
Subtotal Child Nutrition Cluster			<u>8,292,501</u>
Fresh Fruits and Vegetables Program	10.582	14968	206,908
Passed through California Department of Public Health:			
Network for a Healthy California	10.561	12151	108,641
Total U.S. Department of Agriculture			<u>8,608,050</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	92,070
Medi-Cal Administrative Activities	93.778	10060	79,017
Subtotal Medicaid Cluster			<u>171,087</u>
Total U.S. Department of Health and Human Services			<u>171,087</u>
Total Expenditures of Federal Awards			<u><u>\$ 27,558,444</u></u>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2011

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### 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
Robert E. Garibay	President	2012
Ricardo Arredondo	Clerk	2012
Lynn Cogdill	Trustee	2014
Jose Rodriguez	Trustee	2014
Michael Salvador	Trustee	2014
Ray G. Seibert	Trustee	2012
Maria Velarde-Garcia	Trustee	2014

### ADMINISTRATION

Kelly Porterfield	Acting Superintendent
Gustavo Balderas	Superintendent - Assumes Office July 1, 2011
Kelly Porterfield	Associate Superintendent, Business and Operations
Deborah Wood	Associate Superintendent, Educational Services
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, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,545	1,546
First through third	4,565	4,561
Fourth through sixth	4,189	4,186
Seventh and eighth	2,637	2,632
Home and hospital	5	6
Special education	242	242
Total Elementary	13,183	13,173
SECONDARY		
Regular classes	4,388	4,356
Continuation education	228	226
Home and hospital	8	9
Special education	170	169
Total Secondary	4,794	4,760
Total K-12	17,977	17,933
CLASSES FOR ADULTS		
Adults in correctional facilities	9	8
Total Classes for Adults	9	8
Grand Total	17,986	17,941

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83	Reduced	1986-87	Reduced	2010-11	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	55,760	180	N/A	Complied
Grades 1 - 3	40,710	39,579	50,400	49,000				
Grade 1					53,135	180	N/A	Complied
Grade 2					53,135	180	N/A	Complied
Grade 3					53,135	180	N/A	Complied
Grades 4 - 8	42,480	41,300	54,000	52,500				
Grade 4					54,460	180	N/A	Complied
Grade 5					54,460	180	N/A	Complied
Grade 6					54,460	180	N/A	Complied
Grade 7					54,460	180	N/A	Complied
Grade 8					54,460	180	N/A	Complied
Grades 9 - 12	58,608	56,980	64,800	63,000				
Grade 9					65,192	180	N/A	Complied
Grade 10					65,192	180	N/A	Complied
Grade 11					65,192	180	N/A	Complied
Grade 12					65,192	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, 2011**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.



# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 <sup>1</sup>	2011 <sup>5</sup>	2010 <sup>5</sup>	2009 <sup>5</sup>
GENERAL FUND				
Revenues and other sources <sup>4</sup>	\$ 136,396,479	\$ 146,594,328	\$ 134,746,292	\$ 150,541,033
Expenditures and other uses <sup>4</sup>	136,070,661	139,746,401	138,137,139	140,089,588
INCREASE/(DECREASE) IN FUND BALANCE	\$ 325,818	\$ 6,847,927	\$ (3,390,847)	\$ 10,451,445
ENDING FUND BALANCE	\$ 35,643,800	\$ 35,317,982	\$ 28,470,055	\$ 31,860,902
AVAILABLE RESERVES <sup>2</sup>	\$ 21,485,463	\$ 28,988,481	\$ 15,411,630	\$ 17,180,668
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	15.8%	20.7%	11.2%	12.3%
LONG-TERM OBLIGATIONS	Not Available	\$ 101,441,297	\$ 102,031,934	\$ 99,541,497
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	18,191	17,977	17,837	17,685

The General Fund balance has increased by \$3,457,080 over the past two years. The fiscal year 2011-12 budget projects an increase of \$325,818 (.92 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 operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2011-12 fiscal year. Total long-term obligations have increased by \$1,899,800 over the past two years.

Average daily attendance has increased by 292 over the past two years. Additional growth of 214 ADA is anticipated during fiscal year 2011-12.

<sup>1</sup> Budget 2012 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned funds contained within the General Fund.

<sup>3</sup> Excludes Adult Education ADA.

<sup>4</sup> On behalf payments have been excluded from revenues and expenditures and the calculation of available reserve percentage in this schedule.

<sup>5</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2011

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Name of Charter School	Included in Audit Report
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, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>ASSETS</b>			
Deposits and investments	\$ 698,327	\$ 9,237	\$ 3,638,300
Receivables	225,100	139,971	1,231,234
Due from other funds	287	390	-
Stores inventories	-	-	139,905
<b>Total Assets</b>	<b>\$ 923,714</b>	<b>\$ 149,598</b>	<b>\$ 5,009,439</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 44,636	\$ 3,762	\$ 113,721
Due to other funds	863	100,002	46,692
Deferred revenue	1,046	-	-
<b>Total Liabilities</b>	<b>46,545</b>	<b>103,764</b>	<b>160,413</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	143,045
Restricted	-	45,834	4,705,981
Committed	877,169	-	-
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>877,169</b>	<b>45,834</b>	<b>4,849,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 923,714</b>	<b>\$ 149,598</b>	<b>\$ 5,009,439</b>

See accompanying note to supplementary information.

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<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>
\$ 400,399	\$ 5,118,917	\$ 3,989,654	\$ 1,395,686	\$ 2,853,392
-	572	4,999	-	264,545
-	-	13,416	-	-
-	-	-	-	-
<u>\$ 400,399</u>	<u>\$ 5,119,489</u>	<u>\$ 4,008,069</u>	<u>\$ 1,395,686</u>	<u>\$ 3,117,937</u>
\$ 3,250	\$ 3,808	\$ 39,052	\$ -	\$ 7,171
-	558,409	-	-	-
-	-	-	-	-
<u>3,250</u>	<u>562,217</u>	<u>39,052</u>	<u>-</u>	<u>7,171</u>
-	-	-	-	-
-	4,557,272	3,969,017	-	3,110,766
397,149	-	-	-	-
-	-	-	1,395,686	-
<u>397,149</u>	<u>4,557,272</u>	<u>3,969,017</u>	<u>1,395,686</u>	<u>3,110,766</u>
<u>\$ 400,399</u>	<u>\$ 5,119,489</u>	<u>\$ 4,008,069</u>	<u>\$ 1,395,686</u>	<u>\$ 3,117,937</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, Continued JUNE 30, 2011

	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>		
Deposits and investments	\$ 55,872	\$ 18,159,784
Receivables	-	1,866,421
Due from other funds	547,224	561,317
Stores inventories	-	139,905
<b>Total Assets</b>	<b>\$ 603,096</b>	<b>\$ 20,727,427</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 215,400
Due to other funds	-	705,966
Deferred revenue	-	1,046
<b>Total Liabilities</b>	<b>-</b>	<b>922,412</b>
<b>Fund Balances:</b>		
Nonspendable	-	143,045
Restricted	603,096	16,991,966
Committed	-	1,274,318
Assigned	-	1,395,686
<b>Total Fund Balances</b>	<b>603,096</b>	<b>19,805,015</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 603,096</b>	<b>\$ 20,727,427</b>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>			
Federal sources	\$ 273,372	\$ 2,432	\$ 7,852,457
Other State sources	74,362	1,635,508	657,926
Other local sources	342,858	25,088	1,164,704
<b>Total Revenues</b>	<b>690,592</b>	<b>1,663,028</b>	<b>9,675,087</b>
<b>EXPENDITURES</b>			
Current			
Instruction	784,982	1,425,004	-
Instruction-related activities:			
School site administration	434,004	194,058	-
Pupil services:			
Food services	-	29,672	7,639,064
All other pupil services	-	29,343	-
Administration:			
All other administration	46,190	86,100	353,488
Plant services	110,902	52,532	369,092
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	53,682	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,376,078</b>	<b>1,870,391</b>	<b>8,361,644</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(685,486)</b>	<b>(207,363)</b>	<b>1,313,443</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	600,000	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>600,000</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(85,486)</b>	<b>(207,363)</b>	<b>1,313,443</b>
<b>Fund Balance - Beginning</b>	<b>962,655</b>	<b>253,197</b>	<b>3,535,583</b>
<b>Fund Balance - Ending</b>	<b>\$ 877,169</b>	<b>\$ 45,834</b>	<b>\$ 4,849,026</b>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	25,151
8,111	1,310,962	50,130	17,488	3,805,401
8,111	1,310,962	50,130	17,488	3,830,552
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	144,788	-	-	-
261,200	294	54,522	16,342	-
448,981	-	1,789,542	-	-
-	-	-	-	1,645,000
-	-	-	-	2,009,713
710,181	145,082	1,844,064	16,342	3,654,713
(702,070)	1,165,880	(1,793,934)	1,146	175,839
-	-	1,690,279	-	-
-	(1,276,604)	-	-	-
-	(1,276,604)	1,690,279	-	-
(702,070)	(110,724)	(103,655)	1,146	175,839
1,099,219	4,667,996	4,072,672	1,394,540	2,934,927
\$ 397,149	\$ 4,557,272	\$ 3,969,017	\$ 1,395,686	\$ 3,110,766

# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued FOR THE YEAR ENDED JUNE 30, 2011

	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>		
Federal sources	\$ -	\$ 8,128,261
Other State sources	-	2,392,947
Other local sources	4,060	6,728,802
<b>Total Revenues</b>	<b>4,060</b>	<b>17,250,010</b>
<b>EXPENDITURES</b>		
Current		
Instruction	-	2,209,986
Instruction-related activities:		
School site administration	-	628,062
Pupil services:		
Food services	-	7,668,736
All other pupil services	-	29,343
Administration:		
All other administration	-	630,566
Plant services	-	864,884
Facility acquisition and construction	-	2,238,523
Debt service		
Principal	405,000	2,103,682
Interest and other	860,419	2,870,132
<b>Total Expenditures</b>	<b>1,265,419</b>	<b>19,243,914</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,261,359)</b>	<b>(1,993,904)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	1,265,419	3,555,698
Transfers out	-	(1,276,604)
<b>Net Financing Sources (Uses)</b>	<b>1,265,419</b>	<b>2,279,094</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,060</b>	<b>285,190</b>
<b>Fund Balance - Beginning</b>	<b>599,036</b>	<b>19,519,825</b>
<b>Fund Balance - Ending</b>	<b>\$ 603,096</b>	<b>\$ 19,805,015</b>

See accompanying note to supplementary information.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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### 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 Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of ARRA State Fiscal Stabilization funds that in the previous period were recorded as revenues but were unspent and commodities reported on the Schedule of Expenditures of Federal Awards. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 26,707,437
Reconciling items:		
Food Distribution	10.555	646,953
ARRA: State Fiscal Stabilization	84.394	204,054
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,558,444</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011**

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### **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 Balances**

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

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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Madera Unified School District  
Madera, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District as of and for the year ended June 30, 2011, which collectively comprise Madera Unified School District's basic financial statements and have issued our report thereon dated December 6, 2011. 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**

The management of Madera Unified School District is responsible for establishing and maintaining effective 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 6, 2011.

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.

*Varinuk, Trine, Day + Co. LLP*

Fresno, California  
December 6, 2011



**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 Madera Unified School District's compliance 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 Madera Unified School District's major Federal programs for the year ended June 30, 2011. 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, 2011.

## 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 the 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 was not designed to 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.

*Varrinck, Trine, Day & Co. LLP*

Fresno, California  
December 6, 2011



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Madera Unified School District  
Madera, California

We have audited Madera Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Madera Unified School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above 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 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 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. 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 are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

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



	Procedures in Audit Guide	Procedures Performed
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
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

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.

*Vannink, Trine, Day & Co. LLP*

Fresno, California  
December 6, 2011

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# MADERA UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2011

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### 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>84.010, 84.389 (ARRA)</u>	<u>Title I Cluster (includes ARRA)</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.394</u>	<u>ARRA: State Fiscal Stabilization</u>
<u>84.027, 84.391 (ARRA), 84.173</u>	<u>Special Education Cluster (includes ARRA)</u>
<u>84.381, 84.386 (ARRA)</u>	<u>Education Technology Cluster (includes ARRA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 826,753</u>
Auditee qualified as low-risk auditee?	<u>No</u>

### STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
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**MADERA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**MADERA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**MADERA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**MADERA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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



December 6, 2011

Governing Board  
Madera Unified School District  
Madera, California

In planning and performing our audit of the financial statements of Madera Unified School District for the year ended June 30, 2011, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 6, 2011, on the financial statements of Madera Unified School District.

### ***DIXIELAND ELEMENTARY SCHOOL***

#### ***Cash Receipts - Associated Student Body***

#### **Finding**

While auditing the cash receipts system, we discovered that teachers are not using sub-receipt books or a class roster (there is no supporting documentation) to document when money is being turned in, how much money, and by which students. Without this supporting documentation we cannot determine the deposit's intactness or if the teachers are forwarding money to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

#### **Recommendation**

Prenumbered receipts should be issued for all cash collections by teachers which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. A system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit.



### **Finding**

During our audit of cash receipts, we noted that deposits are not made in a timely manner. This can result in large cash balances being maintained at the site.

### **Recommendation**

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

## ***GEORGE WASHINGTON ELEMENTARY SCHOOL***

### ***Cash Receipts***

#### **Finding**

During our audit, we noted inconsistent use of sub-receipts or logs by teachers. Without the use of the sub-receipts or logs by teachers when they receive cash and checks there is no way to tell how timely cash receipts are turned in or who gave the money to the teacher.

#### **Recommendation**

In order for receipting to be intact, it is necessary for teachers to use sub-receipts or logs when they receive cash and checks. One copy of each receipt should be turned in to the ASB bookkeeper with the cash. The bookkeeper should maintain control over all sub-receipt books, issuing them out as needed.

### ***Cash Count Sheet***

#### **Finding**

Cash deposits forwarded from teachers or advisors to the ASB bookkeeper are not always accompanied by a cash count sheet documenting the deposit total as counted by the teacher or advisor.

#### **Recommendation**

The cash count sheet serves the same purpose as a bank deposit slip, it provides for a reconciliation process since the deposit is usually not verified with both parties present. A difference between the bookkeeper's count and the teacher's or advisor's count would warrant a recount with both parties present. This procedure decreases the number of disputes arising from deposits processed incorrectly.

***EASTIN ARCOLA CONTINUATION SCHOOL***

***Timely Deposits***

**Finding**

Bank deposits are not being made timely. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the asset. During our testing, we noted several deposits from November and December that did not get deposited to the bank until February.

**Recommendation**

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

We will review the status of the current year comments during our next audit engagement.

*Varrinck, Trine, Day + Co. LLP*

Fresno, California  
December 6, 2011