

**MADERA UNIFIED  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2012**

# MADERA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2012

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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, 2012, 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 2011-12*, 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 previously 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

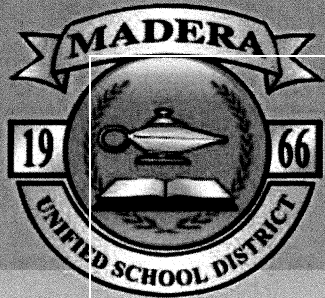
In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, budgetary comparison information and other postemployment benefits information on pages 54 and 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated in all material respects in relation to the financial statements as a whole.

*Vannest, Eric, Day & Co., LLP*

Fresno, California  
December 6, 2012



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# MADERA UNIFIED SCHOOL DISTRICT

## MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2011-12

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, 2012.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

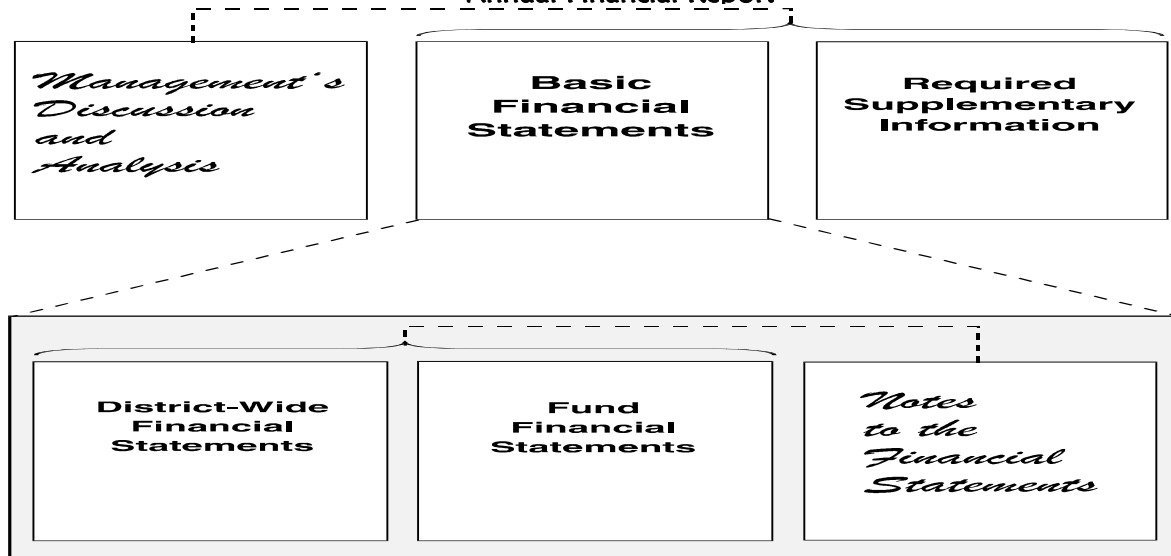
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2011-12

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 District-wide 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 government-wide 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 2011-12**

### **DISTRICT-WIDE STATEMENTS**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are combined into one category:

- Governmental activities - The District's basic services are included here, such as regular and special education, transportation, food services, adult education and administration. Property taxes, state formula aid and fees charged, finance most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The District establishes other funds to control and manage money for particular purposes (like food services and adult education) or to show that it is properly using certain revenues.

The District has two kinds of fund types:

- Governmental funds - The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.



# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2011-12

- **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 \$171.8 million on June 30, 2012, increasing by \$1.3 million (0.76 percent). (See Table A-1.)

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

	Governmental Activities		
	2012	2011	Change
Current and Other Assets	\$ 86.4	\$ 87.1	\$ (0.7)
Capital Assets	200.6	200.4	0.2
<b>Total Assets</b>	<b>287.0</b>	<b>287.5</b>	<b>(0.5)</b>
Long-Term Obligations Outstanding	104.8	101.4	3.4
Other Liabilities	10.5	15.6	(5.1)
<b>Total Liabilities</b>	<b>115.3</b>	<b>117.0</b>	<b>(1.7)</b>
Invested in Capital Assets, net of related debt	116.4	120.0	(3.6)
Restricted	21.3	23.2	(1.9)
Unrestricted	34.1	27.3	6.8
<b>Total Net Assets</b>	<b>\$ 171.8</b>	<b>\$ 170.5</b>	<b>\$ 1.3</b>

**Changes in net assets.** The District's total governmental revenues were \$161.7 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 \$98.4 million and property taxes contributing about \$22.3 million. Another \$36.3 million came from categorical programs \$3.7 million came from fees charged for services, and \$1.0 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$160.4 million. The District's expenses are predominantly related to educating and caring for students (80.4%). The purely administrative activities of the District accounted for just 5.0% of total costs. Maintenance and operations account for 9.8% of the District's expenses.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2011-12

Total revenues surpassed expenses, increasing net assets \$1.3 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		
	2012	2011	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 98.4	\$ 94.7	\$ 3.7
Property Taxes	22.3	21.2	1.1
Other	1.0	6.3	(5.3)
Program Revenues:			
Charges for Services	3.7	2.1	1.6
Categorical Programs	36.3	46.2	(9.9)
<b>Total Revenues</b>	<u>161.7</u>	<u>170.5</u>	<u>(8.8)</u>
Expenses:			
Instruction Related	108.5	112.8	(4.3)
Pupil Services	20.5	19.4	1.1
General Administration	8.1	8.0	0.1
Plant Services	15.7	14.9	0.8
Other	7.6	11.3	(3.7)
<b>Total Expenses</b>	<u>160.4</u>	<u>166.4</u>	<u>(6.0)</u>
<b>Increase (Decrease) in Net Assets</b>	<u><b>\$ 1.3</b></u>	<u><b>\$ 4.1</b></u>	<u><b>\$ (2.8)</b></u>

### GOVERNMENTAL ACTIVITIES

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

- During the past 4 years, \$23.5 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, \$12.1 million in reductions in 2010-11, and \$1.6 million in 2011-12.
- Revenue Limit funding in 2011-12 was approximately 1.6% higher than 2010-11, due to the growth of 1.9% average daily attendance over the prior year.
- The district is currently staffing at 28:1 in grades K-3 and 36:1 in grades 4-12.
- Utilizing the flexibility of previously restricted Tier II funds and K-3 Class Size Reduction funds has also contributed to the solvency of the district.
- The Net Capital Assets increase \$270,646 due to on-going land improvements and portable facility purchases.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2011-12

Table A-3 presents the cost of six major District activities: instruction, student transportation services, food services, all other pupil 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	
	2012	2011	2012	2011
Instruction	108.5	112.8	\$ 86.4	\$ 82.1
Student Transportation	6.1	5.6	2.9	2.1
Food Services	8.3	7.7	(1.0)	(1.2)
All Other Pupil Services	6.1	6.1	5.2	4.7
General Administration	8.1	8.0	6.9	6.7
Plant Services	15.7	14.9	14.9	14.0
Other	7.6	11.3	5.1	9.7
<b>Total</b>	<b>\$ 160.4</b>	<b>\$ 166.4</b>	<b>\$ 120.4</b>	<b>\$ 118.1</b>

### 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 \$74.6 million which was an increase of \$4.2 million over the prior year. The primary reasons for the increase were:

- The increase in the General Fund Balance of \$2.6 million is due primarily to increased State revenues and budgetary reductions.
- The capital projects fund increased by \$0.5 million due to slight increase in developer fees collected during the year.
- The debt service funds increased by about \$0.3 million as local debt service tax revenues exceeded debt service costs.
- The special revenue funds increased by \$0.8 million. Although the deferred maintenance fund increased slightly, the cafeteria fund increased by about \$0.8 million due to purchasing more products under contract at a lower cost and serving more reimbursable free meals.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2011-12

### 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 2012. (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 2012, the District had invested \$200.6 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices. (See Table A-4.) This amount represents a net increase of \$0.2 million or 0.1% over last year. Total accumulated depreciation for the year was \$67.9 million.

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

	Governmental Activities		Total Percentage Change
	2012	2011	
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	8.8	9.1	-3.3%
Construction in Progress	8.5	3.7	129.7%
Buildings	164.1	168.1	-2.4%
Furniture and Equipment	5.4	5.7	-5.3%
<b>Total</b>	<b>\$ 200.6</b>	<b>\$ 200.4</b>	<b>0.1%</b>

We present more detailed information about our capital assets in the Notes to Financial Statements.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2011-12

### LONG-TERM OBLIGATIONS

At year-end the District had \$104.8 million long-term obligations outstanding – an increase of 3.4% from last year - as shown in Table A-5.

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

	Governmental Activities		Total
	2012	2011	Percentage Change
General Obligation Bonds	\$ 74.7	\$ 74.5	0.3%
Certificates of Participation	16.7	17.1	-2.3%
Capital Leases Payable	6.4	2.1	204.8%
Early Retirement	2.6	3.7	-29.7%
Compensated Absences	1.0	1.0	0.0%
Other Postemployment Benefits	3.2	2.8	14.3%
State Preschool Loan	0.2	0.2	0.0%
<b>Total</b>	<b>\$ 104.8</b>	<b>\$ 101.4</b>	<b>3.4%</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". We present more detailed information about our long-term obligations in the Notes to Financial Statements.

### 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 it 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 decreased 0.19% in 2012-13, the current District Contribution is \$14,136 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.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **Management Discussion and Analysis 2011-12**

### **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, 2012

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 43,158,484
Receivables	41,241,032
Prepaid expenses	2,677
Deferred issuance costs	1,326,281
Stores inventories	694,579
Nondepreciable capital assets	22,230,093
Capital assets being depreciated	246,300,835
Accumulated depreciation	(67,884,658)
<b>Total Assets</b>	<b>287,069,323</b>
<b>LIABILITIES</b>	
Accounts payable	9,821,328
Deferred revenue	655,190
Current portion of long-term obligations	4,681,043
Noncurrent portion of long-term obligations	100,088,642
<b>Total Liabilities</b>	<b>115,246,203</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	116,367,309
Restricted for:	
Debt service	3,981,298
Capital projects	9,128,121
Educational programs	2,568,506
Other activities	5,659,452
Unrestricted	34,118,434
<b>Total Net Assets</b>	<b>\$ 171,823,120</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, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 89,636,613	\$ 325,489	\$ 15,427,354
Instruction-related activities:			
Supervision of instruction	6,047,086	-	5,494,509
Instructional library, media, and technology	1,443,526	4,696	376,359
School site administration	11,346,459	25,127	383,369
Pupil services:			
Home-to-school transportation	6,077,092	431,756	2,759,356
Food services	8,268,430	881,358	8,395,142
All other pupil services	6,163,364	-	1,009,107
Administration:			
Data processing	1,758,235	-	1,509
All other administration	6,341,432	108,503	1,113,662
Plant services	15,664,862	86,952	645,094
Ancillary services	2,002,610	1,082	195
Community services	15,240	-	-
Interest on long-term obligations	4,794,477	-	-
Other outgo	803,137	1,797,906	700,602
<b>Total Governmental Activities</b>	<b>\$ 160,362,563</b>	<b>\$ 3,662,869</b>	<b>\$ 36,306,258</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**

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**Governmental  
Activities**

---

\$ (73,883,770)

(552,577)

(1,062,471)

(10,937,963)

(2,885,980)

1,008,070

(5,154,257)

(1,756,726)

(5,119,267)

(14,932,816)

(2,001,333)

(15,240)

(4,794,477)

1,695,371

(120,393,436)

17,672,519

4,071,108

526,675

98,369,808

284,445

156,296

655,475

121,736,326

1,342,890

170,480,230

\$ 171,823,120

# MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds
<b>ASSETS</b>			
Deposits and investments	\$ 9,764,986	\$ 13,678,690	\$ 19,714,808
Receivables	39,312,343	-	1,928,689
Due from other funds	221,586	-	12,640
Prepaid expenditures	2,677	-	-
Stores inventories	495,206	-	199,373
<b>Total Assets</b>	<b>\$ 49,796,798</b>	<b>\$ 13,678,690</b>	<b>\$ 21,855,510</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 9,508,642	\$ -	\$ 312,686
Due to other funds	3,102	9,538	221,586
Deferred revenue	655,190	-	-
<b>Total Liabilities</b>	<b>10,166,934</b>	<b>9,538</b>	<b>534,272</b>
<b>Fund Balances:</b>			
Nonspendable	525,881	-	204,022
Restricted	2,491,355	13,669,152	18,643,509
Committed	-	-	1,204,004
Assigned	4,690,718	-	1,269,703
Unassigned	31,921,910	-	-
<b>Total Fund Balances</b>	<b>39,629,864</b>	<b>13,669,152</b>	<b>21,321,238</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 49,796,798</b>	<b>\$ 13,678,690</b>	<b>\$ 21,855,510</b>

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

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<b>Total Governmental Funds</b>	
\$	43,158,484
	41,241,032
	234,226
	2,677
	694,579
\$	85,330,998

\$	9,821,328
	234,226
	655,190
	10,710,744
	729,903
	34,804,016
	1,204,004
	5,960,421
	31,921,910
	74,620,254
\$	85,330,998

# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

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**Total Fund Balance - Governmental Funds** **\$ 74,620,254**  
**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	\$ 268,530,928	
Accumulated depreciation is	<u>(67,884,658)</u>	
Net Capital Assets		200,646,270

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.

	1,326,281
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Long-term obligations at year-end consist of:

Bonds payable	74,682,805	
Certificates of participation	16,675,000	
State preschool loan program	187,410	
Compensated absences (vacations)	1,004,542	
Early retirement programs	2,585,636	
Capital leases payable	6,402,898	
Other postemployment benefits	<u>3,231,394</u>	
Total Long-Term Obligations		<u>(104,769,685)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u><u>\$ 171,823,120</u></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, 2012

	General Fund	Building Fund	Non-Major Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$ 96,188,029	\$ -	\$ -
Federal sources	11,719,248	-	8,607,491
Other State sources	29,132,035	-	2,267,943
Other local sources	6,021,604	94,016	7,655,212
<b>Total Revenues</b>	<b>143,060,916</b>	<b>94,016</b>	<b>18,530,646</b>
<b>EXPENDITURES</b>			
Current			
Instruction	84,756,925	-	1,756,864
Instruction-related activities:			
Supervision of instruction	5,834,301	-	204,389
Instructional library, media and technology	1,435,169	-	-
School site administration	10,803,730	-	445,469
Pupil services:			
Home-to-school transportation	5,600,245	-	-
Food services	4,260	-	8,541,468
All other pupil services	6,117,527	-	36,233
Administration:			
Data processing	1,674,822	-	-
All other administration	5,698,464	-	689,765
Plant services	13,977,153	-	1,086,001
Facility acquisition and construction	4,673,465	-	380,671
Ancillary services	2,002,067	-	-
Community services	15,240	-	-
Other outgo	803,137	-	-
Debt service			
Principal	306,325	12,905,000	2,348,682
Interest and other	107,561	584,166	2,787,295
<b>Total Expenditures</b>	<b>143,810,391</b>	<b>13,489,166</b>	<b>18,276,837</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>(749,475)</b>	<b>(13,395,150)</b>	<b>253,809</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	24,836	-	2,550,644
Other sources	4,587,921	13,489,166	-
Transfers out	(1,260,231)	(27,019)	(1,288,230)
<b>Net Financing Sources (Uses)</b>	<b>3,352,526</b>	<b>13,462,147</b>	<b>1,262,414</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,603,051</b>	<b>66,997</b>	<b>1,516,223</b>
<b>Fund Balance - Beginning</b>	<b>37,026,813</b>	<b>13,602,155</b>	<b>19,805,015</b>
<b>Fund Balance - Ending</b>	<b>\$ 39,629,864</b>	<b>\$ 13,669,152</b>	<b>\$ 21,321,238</b>

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

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<b>Total Governmental Funds</b>	
<hr/>	
\$	96,188,029
	20,326,739
	31,399,978
	13,770,832
	<hr/>
	161,685,578
	<hr/>
	86,513,789
	6,038,690
	1,435,169
	11,249,199
	5,600,245
	8,545,728
	6,153,760
	1,674,822
	6,388,229
	15,063,154
	5,054,136
	2,002,067
	15,240
	803,137
	15,560,007
	3,479,022
	<hr/>
	175,576,394
	<hr/>
	(13,890,816)
	<hr/>
	2,575,480
	18,077,087
	(2,575,480)
	<hr/>
	18,077,087
	<hr/>
	4,186,271
	70,433,983
	<hr/>
\$	74,620,254
	<hr/>

# 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, 2012

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 4,186,271**  
**Amounts Reported for Governmental Activities in the Statement**  
**of Activities are Different Because:**

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

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

Depreciation expense	\$ (5,813,540)	
Capital outlays	<u>6,084,187</u>	
Net Expense Adjustment		270,647

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Assets. (4,568,046)

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 paid exceeded those awarded by \$1,113,877. Vacation paid was more than the amounts earned by \$14,188. 1,128,065

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: (429,433)

Proceeds received from the sale of Bonds is are revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets does not affect the Statement of Activities. (13,489,166)

Payment of costs for the issuance of certificates of participation or bonds is an expenditure in the governmental funds, but is recorded as a deferred charge and amortized on the Statement of Net Assets over the live of the bonds. 270,867

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, 2012

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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	\$ 14,780,000
Certificates of participation	420,000
State preschool loan program	53,682
Capital lease obligations	306,325

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)
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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.

	(1,529,815)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 1,342,890</u></b>

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



# MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

	Scholarship Trusts	Agency Funds
<b>ASSETS</b>		
Deposits and investments	\$ 103,257	\$ 319,449
<b>Total Assets</b>	<u>103,257</u>	<u>319,449</u>
<b>LIABILITIES</b>		
Due to student groups		
Dixieland	-	\$ 8,765
Jefferson	-	10,755
King	-	26,016
La Vina	-	246
Washington	-	1,362
Madera High	-	107,438
Eastin Arcola Continuation	-	8,574
Desmond Middle	-	13,389
Madera South High	-	142,904
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 319,449</u>
<b>NET ASSETS - RESERVED</b>		
Lorraine Thompson Scholarship	45,940	
Student Government Scholarship	3,757	
Albonico Scholarship	9,200	
Ray Pool Scholarship	44	
J. Desmond Scholarship	120	
Michael A. Wong Class 85' Scholarship	3,450	
Dave Schoettler Memorial Scholarship	1,040	
Esperanza Scholarship	255	
K. Roberts Memorial Scholarship	120	
J. Hinton Scholarship	500	
Science and Health Scholarship	43	
FCCLA Scholarship	296	
Binger Scholarship	2,309	
Cardenazzi Roberts Scholarship	597	
Rodger Scott Memorial Scholarship	600	
School of Business Scholarship	500	
Joan Davis Scholarship	1,925	
Madera Lions Club	29,796	
Audrey Pool Scholarship	500	
F.F.A Memorial Fund Scholarship	2,265	
<b>Total Net Assets</b>	<u>\$ 103,257</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, 2012

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	Scholarship Trusts
<b>ADDITIONS</b>	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 318
Albonico Scholarship	15
Michael A Wong Class 85' Scholarship	3,450
Dave Schoettler Mem Scholarship	300
J. Hinton Scholarship	450
Binger Scholarship	16
Cardenazzi Roberts Scholarship	4
Joan Davis Scholarship	2,425
Madera Lions Club	212
F.F.A Memorial Fund Scholarship	500
<b>Total Additions</b>	<b>7,690</b>
<b>DEDUCTIONS</b>	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	1,500
Student Government Scholarship	500
Albonico Scholarship	100
E.L.L. Scholarship	930
Ray Pool Scholarship	400
Michael A. Wong Class 85' Scholarship	1,000
Dave Schoettler Mem Scholarship	1,000
J. Hinton Scholarship	500
Joan Davis Scholarship	500
Madera Lions Club	2,000
Audrey Pool Scholarship	500
M Wong Class of 85' Scholarship (MSHS)	1,000
<b>Total Deductions</b>	<b>9,930</b>
<b>Change in Net Assets</b>	<b>(2,240)</b>
<b>Net Assets - Beginning</b>	<b>105,497</b>
<b>Net Assets - Ending</b>	<b>\$ 103,257</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Madera Unified School District (the 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, 2012

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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 the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this 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.

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

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

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

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

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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**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 the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general 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.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into two classifications: scholarship trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

### Basis of Accounting - Measurement Focus

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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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.

**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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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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.

### **Investments**

Investments held at June 30, 2012, 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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the *Statement of Net Assets*.

### Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets.

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.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### 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.

### Fund Balances - Governmental Funds

As of June 30, 2012, 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.

**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

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### 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 report \$21,337,377 of restricted net assets.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### Property Tax

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

### New Accounting Pronouncements

In 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.

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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 43,158,484
Fiduciary funds	422,706
Total Deposits and Investments	<u>\$ 43,581,190</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 355,219
Cash in revolving	32,649
Investments	43,193,322
Total Deposits and Investments	<u>\$ 43,581,190</u>

#### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	<u>\$ 43,193,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,193,322</u>	<u>\$ -</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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### **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	<u>\$ 43,193,322</u>	N/A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,193,322</u>

N/A - Not applicable

### **Concentration of Credit Risk**

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

### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, 2012, \$124,090 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 504,355	\$ 1,171,454	\$ 1,675,809
State Government			
Apportionment	33,400,034	-	33,400,034
Categorical aid	4,774,646	351,667	5,126,313
Local Sources	633,308	405,568	1,038,876
Total Fund Statements	<u>\$ 39,312,343</u>	<u>\$ 1,928,689</u>	<u>\$ 41,241,032</u>

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	3,674,370	4,792,391	-	8,466,761
Total Capital Assets Not Being Depreciated	<u>17,437,702</u>	<u>4,792,391</u>	<u>-</u>	<u>22,230,093</u>
Capital Assets being depreciated				
Land improvements	11,061,289	150,604	-	11,211,893
Buildings and improvements	216,281,714	103,770	-	216,385,484
Furniture and equipment	17,724,193	1,037,422	58,157	18,703,458
Total Capital Assets Being Depreciated	<u>245,067,196</u>	<u>1,291,796</u>	<u>58,157</u>	<u>246,300,835</u>
Less Accumulated Depreciation				
Land improvements	1,914,952	479,530	-	2,394,482
Buildings and improvements	48,218,508	4,020,402	-	52,238,910
Furniture and equipment	11,995,815	1,313,608	58,157	13,251,266
Total Accumulated Depreciation	<u>62,129,275</u>	<u>5,813,540</u>	<u>58,157</u>	<u>67,884,658</u>
Governmental Activities Capital Assets, Net	<u>\$ 200,375,623</u>	<u>\$ 270,647</u>	<u>\$ -</u>	<u>\$ 200,646,270</u>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,091,095
School Administration	60,150
Pupil Transportation	824,715
Food Services	23,530
Data Processing Services	160,141
Plant Maintenance and Operations	653,909
Total Depreciation Expenses Governmental Activities	<u>\$ 5,813,540</u>

### 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, 2012, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 221,586	\$ 3,102
Building	-	9,538
Total Major Governmental Funds	<u>221,586</u>	<u>12,640</u>
Total Non-Major Funds	<u>12,640</u>	<u>221,586</u>
Total All Governmental Funds	<u>\$ 234,226</u>	<u>\$ 234,226</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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The General Fund owes the Cafeteria Fund to adjust indirect to actual expenses.	\$ 681
The General Fund owes the Adult Education Fund to adjust indirect to actual expenses.	654
The General Fund owes the Deferred Maintenance Fund for adjustment for claim.	1,767
The Building Fund owes the County School Facilities Fund for year-to-date expenses.	9,538
The Adult Education Fund owes the General Fund for adjustments to benefit accounts and indirect costs.	16,597
The Child Development Fund owes the General Fund for adjustments to benefit accounts and indirect costs.	20,581
The Capital Facilities Fund owes the General Fund for the developer fees contribution.	1,794
The County School Facilities Fund owes the General Fund for adjustment to benefit accounts.	58
The Child Development Fund owes the General Fund for a temporary cash flow loan.	125,000
The Cafeteria Fund owes the General Fund for adjustments to benefit accounts.	48,356
The Cafeteria Fund owes the General Fund for auto maintenance and indirect costs.	9,200
Total	<u><u>\$ 234,226</u></u>

### Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

The Building Fund transferred to the County School Facilities Fund for qualified bond school construction costs.	\$ 27,019
The General Fund transferred to the Deferred Maintenance Fund for maintenance projects.	660,231
The Capital Facilities Fund transferred to the General Fund three percent of the developer fees collected for administrative services.	24,836
The Capital Facilities Fund transferred to the COP Debt Service Fund for the required debt service payment.	1,263,394
The General Fund transferred to the Adult Education Fund for program operations.	600,000
Total	<u><u>\$ 2,575,480</u></u>

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 912,456	\$ 257,194	\$ 1,169,650
Deferred payroll	3,357,244	-	3,357,244
State apportionment	299,573	-	299,573
Health and welfare pass-through	4,516,704	18,443	4,535,147
Accrued salaries and benefits	422,665	37,049	459,714
Total	<u>\$ 9,508,642</u>	<u>\$ 312,686</u>	<u>\$ 9,821,328</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund
Federal financial assistance	\$ 582,338
State categorical aid	12,397
Local sources	60,455
Total	<u>\$ 655,190</u>

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

At July 1, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,240,000, which matured on January 31, 2012. On July 1, 2011, the District issued \$4,965,000 Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on February 29, 2012. By January 31, 2012, the District had placed 100 percent of principal and interest with the County Treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2011	Additions	Payments	Outstanding June 30, 2012
April 14, 2011	2.50%	January 31, 2012	\$ 3,240,000	\$ -	\$ 3,240,000	\$ -
July 1, 2011	2.00%	February 29, 2012	-	4,965,000	4,965,000	-
Total			<u>\$ 3,240,000</u>	<u>\$ 4,965,000</u>	<u>\$ 8,205,000</u>	<u>\$ -</u>

### 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, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds-2003	\$ 13,255,000	\$ -	\$ 13,060,000	\$ 195,000	\$ 195,000
General obligation bonds-2005					
Current Interest Bonds	9,320,000	-	965,000	8,355,000	1,060,000
Capital Appreciation Bonds	18,204,764	933,541	-	19,138,305	-
General obligation bonds-2006					
Current Interest Bonds	1,565,000	-	140,000	1,425,000	150,000
Capital Appreciation Bonds	2,434,465	85,736	-	2,520,201	-
General obligation bonds-2007					
Current Interest Bonds	17,295,000	-	615,000	16,680,000	700,000
Capital Appreciation Bonds	11,280,433	510,538	-	11,790,971	-
Premium	1,089,162	-	-	1,089,162	-
2012 Refunding general obligation bonds	-	12,925,000	-	12,925,000	135,000
Premium	-	564,166	-	564,166	37,611
Certificates of participation-2004	17,095,000	-	420,000	16,675,000	440,000
State Preschool Revolving Loan	241,092	-	53,682	187,410	33,735
Compensated absences - net	1,018,730	-	14,188	1,004,542	-
Early retirement programs	3,699,513	319,185	1,433,062	2,585,636	1,258,022
Capital leases	2,141,177	4,568,046	306,325	6,402,898	671,675
Other postemployment benefits	2,801,961	2,873,922	2,444,489	3,231,394	-
Total	<u>\$ 101,441,297</u>	<u>\$ 22,780,134</u>	<u>\$ 19,451,746</u>	<u>\$ 104,769,685</u>	<u>\$ 4,681,043</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, 2012**

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2012
<b>Current Interest Bonds:</b>							
2002 - Series 2003 General Obligation Bonds:							
8/1/2003	8/2004-8/2028	1-4.90%	\$ 16,200,000	\$ 13,255,000	\$ -	\$ 13,060,000	\$ 195,000
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2006-8/2017	3-5%	12,670,000	9,320,000	-	965,000	8,355,000
2002 - Series 2006 General Obligation Bonds:							
3/1/06	8/1/2018	3.75-4%	1,915,000	1,565,000	-	140,000	1,425,000
2006 - Series 2007 General Obligation Bonds:							
3/1/07	8/2007-8/2023	4-5%	18,690,000	17,295,000	-	615,000	16,680,000
2012 - Refunding General Obligation Bonds:							
2/22/12	8/2012-8/2028	2-3.625%	12,925,000	-	12,925,000	-	12,925,000
<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	18,204,764	933,541	-	19,138,305
2002 - Series 2006 General Obligation Bonds:							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,434,465	85,736	-	2,520,201
2006 - Series 2007 General Obligation Bonds:							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	11,280,433	510,538	-	11,790,971
Total				<u>\$ 73,354,662</u>	<u>\$ 14,454,815</u>	<u>\$ 14,780,000</u>	<u>\$ 73,029,477</u>

### Debt Service Requirements to Maturity

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

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ 195,000	\$ 3,900	\$ 198,900
Total	<u>\$ 195,000</u>	<u>\$ 3,900</u>	<u>\$ 198,900</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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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>
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	1,600,000	127,750	1,727,750
2018	1,755,000	43,875	1,798,875
Total	<u>\$ 8,355,000</u>	<u>\$ 1,375,125</u>	<u>\$ 9,730,125</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	220,000	27,810	247,810
2018-2019	500,000	29,020	529,020
Total	<u>\$ 1,425,000</u>	<u>\$ 241,870</u>	<u>\$ 1,666,870</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,120,000	654,588	1,774,588
2018-2022	7,790,000	2,331,088	10,121,088
2023-2024	4,370,000	333,000	4,703,000
Total	<u>\$ 16,680,000</u>	<u>\$ 6,297,228</u>	<u>\$ 22,977,228</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 2012 Refunding Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ 135,000	\$ 178,469	\$ 313,469
2014	315,000	469,719	784,719
2015	355,000	463,419	818,419
2016	405,000	452,769	857,769
2017	450,000	444,669	894,669
2018-2022	3,230,000	1,903,945	5,133,945
2023-2027	5,220,000	1,166,745	6,386,745
2028-2029	2,815,000	155,150	2,970,150
Total	<u>\$ 12,925,000</u>	<u>\$ 5,234,885</u>	<u>\$ 18,159,885</u>

### 2002 Capital Appreciation Bonds

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

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2006 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019-2022	\$ 8,240,000	\$ 5,740,860	\$ 1,205,000	\$ 828,766	\$ -	\$ -
2023-2027	12,575,000	6,874,290	1,840,000	1,008,165	7,865,000	4,446,220
2028-2032	15,315,000	6,523,155	1,860,000	683,270	15,685,000	7,344,751
Total	<u>\$ 36,130,000</u>	<u>\$ 19,138,305</u>	<u>\$ 4,905,000</u>	<u>\$ 2,520,201</u>	<u>\$ 23,550,000</u>	<u>\$ 11,790,971</u>

### 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, 2012, 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>\$ 17,095,000</u>	<u>\$ 420,000</u>	<u>\$ 16,675,000</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	525,000	747,113	1,272,113
2018-2022	3,055,000	3,313,315	6,368,315
2023-2027	3,890,000	2,470,314	6,360,314
2028-2032	4,975,000	1,391,283	6,366,283
2033-2034	2,360,000	182,963	2,542,963
Total	<u>\$ 16,675,000</u>	<u>\$ 11,323,202</u>	<u>\$ 27,998,202</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
2013	\$ 33,735
2014	33,735
2015	33,735
2016	33,735
2017	33,735
2018	18,735
Total	<u>\$ 187,410</u>

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2012, amounted to \$1,004,542.

### Early Retirement

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$2,585,636 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$1,433,062.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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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, 2011	\$ 2,141,177
Additions	4,568,046
Payments	306,325
Balance, June 30, 2012	<u>\$ 6,402,898</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2013	\$ 976,341
2014	800,776
2015	800,776
2016	800,776
2017	800,776
2018-2022	2,003,009
2023-2027	1,759,673
Total	<u>7,942,127</u>
Less: Amount Representing Interest	1,539,229
Present Value of Minimum Lease Payments	<u>\$ 6,402,898</u>

### Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$2,916,096, and contributions made by the District during the year were \$2,444,489 (including the implicit rate subsidy factor of 1.1385). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$140,098 and \$(182,272), respectively, which resulted in an increase to the net OPEB obligation of \$429,433. As of June 30, 2012, the net OPEB obligation was \$3,231,394. 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, 2012**

### 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	\$ -	\$ 4,649	\$ 32,649
Stores inventories	495,205	-	199,373	694,578
Prepaid expenditures	2,676	-	-	2,676
Total Nonspendable	525,881	-	204,022	729,903
Restricted				
Legally restricted programs	2,491,355	-	-	2,491,355
Childcare programs	-	-	77,151	77,151
Capital projects	-	13,669,152	9,128,121	22,797,273
Debt services	-	-	3,981,298	3,981,298
Food service	-	-	5,456,939	5,456,939
Total Restricted	2,491,355	13,669,152	18,643,509	34,804,016
Committed				
Adult education program	-	-	650,775	650,775
Deferred maintenance program	-	-	553,229	553,229
Total Committed	-	-	1,204,004	1,204,004
Assigned				
Vacation accrual	924,177	-	-	924,177
District textbooks	887,470	-	-	887,470
Equipment replacement	1,374,724	-	-	1,374,724
Classified health clerks	179,449	-	-	179,449
Tier II textbooks	697,467	-	-	697,467
P.A.C.E.S.	5,669	-	-	5,669
Unanticipated site requests	252,427	-	-	252,427
Insurance reserve	35,575	-	-	35,575
Summer school costs	22,919	-	-	22,919
Athletic uniforms	20,700	-	-	20,700
Legal & mandated costs contracts	30,627	-	-	30,627
Staff development	40,659	-	-	40,659
Field trips & annual events	40,211	-	-	40,211
District safety program	84,071	-	-	84,071
Capital projects	-	-	1,269,703	1,269,703
Other	94,573	-	-	94,573
Total Assigned	4,690,718	-	1,269,703	5,960,421
Unassigned				
Reserve for economic uncertainties	4,256,879	-	-	4,256,879
Remaining unassigned	27,665,031	-	-	27,665,031
Total Unassigned	31,921,910	-	-	31,921,910
Total	\$ 39,629,864	\$ 13,669,152	\$ 21,321,238	\$ 74,620,254

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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

At June 30, 2012, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Other outgo	\$ 254,593	\$ 273,842	\$ 19,249
Capital outlay	\$ 1,600,017	\$ 5,369,545	\$ 3,769,528

### 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 approximately 200 retirees and beneficiaries currently receiving benefits and approximately 1,500 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 2011-12, the District contributed \$2,147,114 to the plan (excluding the implicit rate subsidy factor), all of which was used for current premiums (approximately 84 percent of total premiums). Plan members receiving benefits contributed \$400,218, or approximately 16 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:

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Annual required contribution	\$ 2,916,096
Interest on net OPEB obligation	140,098
Adjustment to annual required contribution	(182,272)
Annual OPEB cost (expense)	<u>2,873,922</u>
Contributions made	<u>(2,444,489)</u>
Increase in net OPEB obligation	429,433
Net OPEB obligation, beginning of year	<u>2,801,961</u>
Net OPEB obligation, end of year	<u><u>\$ 3,231,394</u></u>

### 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
2012	\$ 2,873,922	\$ 2,444,489	85.06%	\$ 3,231,394
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

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

### Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 26,570,686	\$ 26,570,686	0.00%	\$ 84,497,116	31.45%

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

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **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, 2011, 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 were 8.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2012, was 27 years.

### **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 June 30, 2012, the District contracted with the California Risk Management Authority (CRMA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

The District pays for workers' compensation through the California Risk Management Authority.

#### **Employee Medical Benefits**

The District has contracted with California's Valued Trust to provide employee health, dental and vision benefits. Benefits are self funded and are paid out of the assets of the Trust. Each participating school district's contribution to the Trust is determined by the collective bargaining agreement between the individual district and CTA or California School Employees Association and/or by the participating agreement between the district and the Trust with respect to employees not covered by a collective bargaining agreement. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **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.

##### **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 2011-12 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, 2012, 2011, and 2010, were \$5,272,769, \$5,262,148, and \$5,509,271, respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### 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 2011-12 was 10.923 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, 2012, 2011, and 2010, were \$2,033,025, \$2,018,415, and \$1,911,376, respectively, and equal 100 percent of the required contributions for each year.

### Social Security

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

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,242,121 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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 budgeted and actual 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, 2012.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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### **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, 2012.

### **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, 2012, 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
Future Elementary School	23,000,800	2017
LaVina Playground Paving Project	120,000	2013
Total	<u>\$ 218,120,800</u>	

### **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, 2012, the District made payment of \$1,842,716 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2012, the District made payment of \$26,389,782 to CVT for health and welfare benefits.



# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **NOTE 17 - SUBSEQUENT EVENT**

#### **PARS Early Retirement Agreement**

The District has entered into a PARS early retirement agreement with two Certificated and four Classified former employees. The former employees will receive a payment equivalent to 12 percent of their final 2011-12 pay for the next five years commencing July 10, 2012, for a total of 60 percent of their 2011-2012 final pay. The annual obligation to the District will be \$77,372 for a total of \$386,860 and will be fully paid as of July 10, 2016.

### **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 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# MADERA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 95,211,420	\$ 96,163,908	\$ 96,188,029	\$ 24,121
Federal sources	9,798,423	15,999,911	11,719,248	(4,280,663)
Other State sources	24,682,039	25,539,754	25,957,384	417,630
Other local sources	4,978,606	6,233,021	6,021,604	(211,417)
<b>Total Revenues <sup>1</sup></b>	<b>134,670,488</b>	<b>143,936,594</b>	<b>139,886,265</b>	<b>(4,050,329)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	65,755,219	65,415,783	64,830,187	585,596
Classified salaries	16,856,996	17,932,986	17,869,013	63,973
Employee benefits	35,418,095	35,504,886	35,083,562	421,324
Books and supplies	8,009,825	9,272,544	6,632,139	2,640,405
Services and operating expenditures	8,085,516	11,746,372	10,167,716	1,578,656
Other outgo	267,475	254,593	273,842	(19,249)
Capital outlay	-	1,600,017	5,369,545	(3,769,528)
Debt service - principal	306,324	306,324	306,324	-
Debt service - interest	103,412	103,412	103,412	-
<b>Total Expenditures <sup>1</sup></b>	<b>134,802,862</b>	<b>142,136,917</b>	<b>140,635,740</b>	<b>1,501,177</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(132,374)</b>	<b>1,799,677</b>	<b>(749,475)</b>	<b>(2,549,152)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,725,991	1,829,617	24,836	(1,804,781)
Other sources	-	-	4,587,921	4,587,921
Transfers out	(1,258,464)	(1,258,464)	(1,260,231)	(1,767)
Other uses	(9,335)	(9,335)	-	9,335
<b>Net Financing Sources (Uses)</b>	<b>458,192</b>	<b>561,818</b>	<b>3,352,526</b>	<b>2,790,708</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>325,818</b>	<b>2,361,495</b>	<b>2,603,051</b>	<b>241,556</b>
<b>Fund Balance - Beginning</b>	<b>26,938,558</b>	<b>26,938,558</b>	<b>37,026,813</b>	<b>10,088,255</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,264,376</b>	<b>\$ 29,300,053</b>	<b>\$ 39,629,864</b>	<b>\$ 10,329,811</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, 2012

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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, 2011	\$ -	\$ 26,570,686	\$ 26,570,686	0.00%	\$ 84,497,116	31.45%
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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education (CDE):			
Adult Education			
Basic	84.002A	14508	\$ 82,956
Secondary Education	84.002	13978	51,660
English Literacy & Civics Education	84.002A	14109	25,973
No Child Left Behind			
Title I Cluster			
Title I - Part A, Basic	84.010	14329	6,247,705
ARRA, Title I - Part A, Basic	84.389	15005	113,190
Subtotal Title I Cluster			<u>6,360,895</u>
Title I - Part C, Migrant	84.011	14326	16,332
Title II - Part A, Teacher Quality	84.367	14341	1,919,125
Title II - Part A, Administrator Training	84.367	14344	21,750
Education Technology Cluster			
Title II - Part D, EETT - Formula Grants	84.318	14334	6,542
Title II - Part D, EETT - Competitive Grants	84.318	14368	255,322
ARRA, Title II - Part D, EETT - Formula Grants	84.386	15019	26,945
ARRA, Title II - Part D, EETT - Competitive Grants	84.386	15126	20,023
Subtotal Education Technology Cluster			<u>308,832</u>
Title III - LEP	84.365	14346	1,038,553
Title IV- Part A, Safe and Drug Free Schools	84.186	14347	25,965
Title X - McKinney-Vento Homeless Assistance	84.196	14332	521
Education Jobs Fund	84.410	25152	331,586
Safe and Supportive Schools Programmatic Intervention	84.184	15164	40,871
Special Education Cluster			
IDEA, Basic Local Assistance	84.027	13379	1,253,468
IDEA, Basic Local Assistance, Private School	84.027	10115	712
ARRA, IDEA, Basic Local Assistance	84.391	15003	(59)
Subtotal Special Education Cluster			<u>1,254,121</u>
Vocational Educational Grants			
Adult Education	84.048	14893	28,208
Technology Secondary Education	84.048	14894	182,646
Total U.S. Department of Education			<u>11,689,994</u>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	\$ 6,138,375
Basic Breakfast	10.553	13525	25,736
Especially Needy Breakfast	10.553	13526	1,502,248
Meals Supplements - Snack	10.555	13391	205,472
Summer Food Program	10.559	13004	187,630
Food Distribution	10.555	13391	439,012
Subtotal Child Nutrition Cluster			<u>8,498,473</u>
Fresh Fruits and Vegetables Program	10.582	14968	<u>359,233</u>
Total U.S. Department of Agriculture			<u>8,857,706</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	54,612
Medi-Cal Administrative Activities	93.778	10060	163,439
Subtotal Medicaid Cluster			<u>218,051</u>
Total U.S. Department of Health and Human Services			<u>218,051</u>
Total Expenditures of Federal Awards			<u><u>\$ 20,765,751</u></u>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

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

### ADMINISTRATION

Gustavo Balderas	Superintendent
Kelly Porterfield	Associate Superintendent, Business and Operations
Deborah Wood	Associate Superintendent, Educational Services
Robert Chavez	Chief Academic Officer, K-12
Julia Reese	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, 2012

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	Second Period Report	Revised Second Period Report	Annual Report
ELEMENTARY			
Kindergarten	1,647.02	1,647.02	1,647.26
First through third	4,629.85	4,629.85	4,626.27
Fourth through sixth	4,366.17	4,366.17	4,359.46
Seventh and eighth	2,595.71	2,595.71	2,587.47
Home and hospital	3.90	3.90	3.08
Special education	129.39	129.39	128.17
Total Elementary	13,372.04	13,372.04	13,351.71
SECONDARY			
Regular classes	4,580.68	4,580.62	4,545.13
Continuation education	216.82	216.63	216.54
Home and hospital	12.47	12.47	12.70
Special education	136.07	136.07	136.32
Total Secondary	4,946.04	4,945.79	4,910.69
Total K-12	18,318.08	18,317.83	18,262.40
CLASSES FOR ADULTS			
Adults in correctional facilities	9.28	9.28	8.78
Total Classes for Adults	9.28	9.28	8.78
Grand Total	18,327.36	18,327.11	18,271.18

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2011-12	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	29,205	27,258	36,000	33,600	45,440	175	N/A	Complied
Grades 1 - 3	40,710	37,996	50,400	47,040				
Grade 1					54,035	175	N/A	Complied
Grade 2					54,035	175	N/A	Complied
Grade 3					54,035	175	N/A	Complied
Grades 4 - 8	42,480	39,648	54,000	50,400				
Grade 4					54,035	175	N/A	Complied
Grade 5					53,840	175	N/A	Complied
Grade 6					54,035	175	N/A	Complied
Grade 7					55,625	175	N/A	Complied
Grade 8					55,625	175	N/A	Complied
Grades 9 - 12	58,608	54,701	64,800	60,480				
Grade 9					65,408	175	N/A	Complied
Grade 10					65,408	175	N/A	Complied
Grade 11					65,408	175	N/A	Complied
Grade 12					65,408	175	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, 2012**

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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, 2012.

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 <sup>1</sup>	2012 <sup>5</sup>	2011 <sup>5</sup>	2010
GENERAL FUND				
Revenues and other sources <sup>4</sup>	\$ 130,142,959	\$ 146,207,855	\$ 146,594,328	\$ 134,746,292
Expenditures and other uses <sup>4</sup>	142,734,448	141,895,973	139,746,401	138,137,139
INCREASE/(DECREASE) IN FUND BALANCE	\$ (12,591,489)	\$ 4,311,882	\$ 6,847,927	\$ (3,390,847)
ENDING FUND BALANCE	\$ 27,038,375	\$ 39,629,864	\$ 35,317,982	\$ 28,470,055
AVAILABLE RESERVES <sup>2</sup>	\$ 20,909,252	\$ 31,921,910	\$ 28,988,481	\$ 15,411,630
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	14.6%	22.5%	20.7%	11.2%
LONG-TERM OBLIGATIONS	Not Available	\$ 104,769,685	\$ 101,441,297	\$ 102,031,934
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	18,519	18,318	17,977	17,837

The General Fund balance has increased by \$11,159,809 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$12,591,489 (31.77 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 deficit during the 2012-13 fiscal year. Total long-term obligations have increased by \$2,737,751 over the past two years.

Average daily attendance has increased by 481 over the past two years. Additional growth of 201 ADA is anticipated during fiscal year 2012-13.

<sup>1</sup> Budget 2013 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, 2012

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Name of Charter School	Included in Audit Report
Sherman Thomas Charter (Charter Number 0507)	No
Sherman Thomas Charter High (Charter Number 1058)	No
Ezequiel Tafoya Alvarado Academy (Charter Number 0676)	No

See accompanying note to supplementary information.

**MADERA UNIFIED SCHOOL DISTRICT****NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

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	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 512,055	\$ 46,594	\$ 4,446,867
Receivables	167,198	272,172	1,216,696
Due from other funds	654	-	681
Stores inventories	-	-	199,373
<b>Total Assets</b>	<b>\$ 679,907</b>	<b>\$ 318,766</b>	<b>\$ 5,863,617</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 11,026	\$ 96,034	\$ 146,609
Due to other funds	16,597	145,581	57,556
<b>Total Liabilities</b>	<b>27,623</b>	<b>241,615</b>	<b>204,165</b>
<b>Fund Balances:</b>			
Nonspendable	1,509	-	202,513
Restricted	-	77,151	5,456,939
Committed	650,775	-	-
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>652,284</b>	<b>77,151</b>	<b>5,659,452</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 679,907</b>	<b>\$ 318,766</b>	<b>\$ 5,863,617</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>
\$ 588,415	\$ 5,228,074	\$ 3,905,910	\$ 1,277,684	\$ 3,102,204
-	534	-	-	272,089
1,767	-	9,538	-	-
-	-	-	-	-
<u>\$ 590,182</u>	<u>\$ 5,228,608</u>	<u>\$ 3,915,448</u>	<u>\$ 1,277,684</u>	<u>\$ 3,374,293</u>
\$ 36,953	\$ 3,163	\$ 10,920	\$ 7,981	\$ -
-	1,794	58	-	-
<u>36,953</u>	<u>4,957</u>	<u>10,978</u>	<u>7,981</u>	<u>-</u>
-	-	-	-	-
-	5,223,651	3,904,470	-	3,374,293
553,229	-	-	-	-
-	-	-	1,269,703	-
<u>553,229</u>	<u>5,223,651</u>	<u>3,904,470</u>	<u>1,269,703</u>	<u>3,374,293</u>
<u>\$ 590,182</u>	<u>\$ 5,228,608</u>	<u>\$ 3,915,448</u>	<u>\$ 1,277,684</u>	<u>\$ 3,374,293</u>

**MADERA UNIFIED SCHOOL DISTRICT****NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET, Continued  
JUNE 30, 2012**

	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>		
Deposits and investments	\$ 607,005	\$ 19,714,808
Receivables	-	1,928,689
Due from other funds	-	12,640
Stores inventories	-	199,373
<b>Total Assets</b>	<b>\$ 607,005</b>	<b>\$ 21,855,510</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 312,686
Due to other funds	-	221,586
<b>Total Liabilities</b>	<b>-</b>	<b>534,272</b>
<b>Fund Balances:</b>		
Nonspendable	-	204,022
Restricted	607,005	18,643,509
Committed	-	1,204,004
Assigned	-	1,269,703
<b>Total Fund Balances</b>	<b>607,005</b>	<b>21,321,238</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 607,005</b>	<b>\$ 21,855,510</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, 2012

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>			
Federal sources	\$ 188,797	\$ -	\$ 8,418,694
Other State sources	50,120	1,476,866	691,546
Other local sources	282,879	53,638	1,078,686
<b>Total Revenues</b>	<u>521,796</u>	<u>1,530,504</u>	<u>10,188,926</u>
<b>EXPENDITURES</b>			
Current			
Instruction	728,271	1,028,593	-
Instruction-related activities:			
Supervision of instruction	-	204,389	-
School site administration	441,498	3,971	-
Pupil services:			
Food services	-	20,748	8,520,720
All other pupil services	4,074	32,159	-
Administration:			
All other administration	50,823	67,710	414,911
Plant services	122,015	46,932	442,869
Facility acquisition and construction	-	41,003	-
Debt service			
Principal	-	53,682	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>1,346,681</u>	<u>1,499,187</u>	<u>9,378,500</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(824,885)</u>	<u>31,317</u>	<u>810,426</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	600,000	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>600,000</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(224,885)</u>	<u>31,317</u>	<u>810,426</u>
<b>Fund Balance - Beginning</b>	<u>877,169</u>	<u>45,834</u>	<u>4,849,026</u>
<b>Fund Balance - Ending</b>	<u>\$ 652,284</u>	<u>\$ 77,151</u>	<u>\$ 5,659,452</u>

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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	49,411
2,186	2,155,631	36,092	9,174	4,033,017
2,186	2,155,631	36,092	9,174	4,082,428
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	156,321	-	-	-
323,171	-	22,251	128,763	-
183,166	44,701	105,407	6,394	-
-	-	-	-	1,875,000
-	-	-	-	1,943,901
506,337	201,022	127,658	135,157	3,818,901
(504,151)	1,954,609	(91,566)	(125,983)	263,527
660,231	-	27,019	-	-
-	(1,288,230)	-	-	-
660,231	(1,288,230)	27,019	-	-
156,080	666,379	(64,547)	(125,983)	263,527
397,149	4,557,272	3,969,017	1,395,686	3,110,766
\$ 553,229	\$ 5,223,651	\$ 3,904,470	\$ 1,269,703	\$ 3,374,293

# 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, 2012

	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>		
Federal sources	\$ -	\$ 8,607,491
Other State sources	-	2,267,943
Other local sources	3,909	7,655,212
<b>Total Revenues</b>	<b>3,909</b>	<b>18,530,646</b>
<b>EXPENDITURES</b>		
Current		
Instruction	-	1,756,864
Instruction-related activities:		
Supervision of instruction	-	204,389
School site administration	-	445,469
Pupil services:		
Food services	-	8,541,468
All other pupil services	-	36,233
Administration:		
All other administration	-	689,765
Plant services	-	1,086,001
Facility acquisition and construction	-	380,671
Debt service		
Principal	420,000	2,348,682
Interest and other	843,394	2,787,295
<b>Total Expenditures</b>	<b>1,263,394</b>	<b>18,276,837</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,259,485)</b>	<b>253,809</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	1,263,394	2,550,644
Transfers out	-	(1,288,230)
<b>Net Financing Sources (Uses)</b>	<b>1,263,394</b>	<b>1,262,414</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,909</b>	<b>1,516,223</b>
<b>Fund Balance - Beginning</b>	<b>603,096</b>	<b>19,805,015</b>
<b>Fund Balance - Ending</b>	<b>\$ 607,005</b>	<b>\$ 21,321,238</b>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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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 the fair market value of commodities which are not reported as revenues and expenditures in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 20,326,739
Reconciling items:		
Food Distribution	10.555	439,012
Total Schedule of Expenditures of Federal Awards		<u>\$ 20,765,751</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, 2012**

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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, 2012, which collectively comprise Madera Unified School District's basic financial statements and have issued our report thereon dated December 6, 2012. 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.

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.

**Internal Control Over Financial Reporting**

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 a 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 previously.

## 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated December 6, 2012.

Madera Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Madera Unified School District's response and, accordingly, express no opinion on it.

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.

*Vannest, Triv, Day & Co., LLP*

Fresno, California  
December 6, 2012





**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, 2012. 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, 2012.

## 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.

*Vannetti, Triv, Day & Co., LLP*

Fresno, California  
December 6, 2012



## 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 Audits of California K-12 Local Educational Agencies 2011-12*, applicable to Madera Unified School District's government programs as noted below for the year ended June 30, 2012. 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 2011-12* 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, 2012, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Madera Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Madera Unified School District's response and, accordingly, express no opinion on it.

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	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting, Continued:		
Independent study	23	Yes
Continuation education	10	Yes (see below)
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
Districts 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	5	Not Applicable
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	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	4	Not Applicable

We did not perform testing for continuation work experience or the independent study calculation because neither program is offered through the continuation program.

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.

*Vannest, Triv, Day & Co., LLP*

Fresno, California  
December 6, 2012

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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, 2012

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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?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.367</u>	<u>Title II Programs</u>
	<u>Title III, Limited English Proficient (LEP)</u>
<u>84.365</u>	<u>Student Program</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 622,973</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
Unqualified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Exclusion of Pupils-Pertussis Immunization</u>

**MADERA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.

**MADERA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.



# MADERA UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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The following finding represents an instance of noncompliance and/or questioned costs relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code  
40000

AB 3627 Finding Type  
State Compliance

2012-1      40000

### *Exclusion of Pupils – Pertussis Immunization*

#### **Criteria**

Students under the age of 18 should have a Pertussis booster vaccine given on or after their seventh birthday, or a Pertussis booster immunization exemption statement by the 30th calendar day after the student's first day of attendance as per Health and Safety Code Section 120335.1(a). The District cannot claim any attendance on or after the student's 31st calendar day of school until the student has received their Pertussis booster vaccine or has filed an immunization exemption.

#### **Condition**

During our audit of the Pertussis records, we found four students who did not have the Pertussis booster vaccine given on or after their seventh birthday or an immunization exemption statement by the 30th calendar day after their first day of attendance. The District claimed 0.25 ADA for those four students.

#### **Effect**

The 0.25 ADA is not allowable and results in a questioned cost of \$1,287.54 based on the District's deficated base revenue limit per ADA of \$5,150.14.

#### **Cause**

The four students failed to get immunized prior to the 31st calendar day after school began. The District missed these students during its review of the immunization records.

#### **Recommendation**

The District should obtain current immunization records for all students and ensure that they have or will have obtained their Pertussis booster vaccine or filed an exemption statement within the required time frame. The attendance on or after the 31st day of attendance for any students that did not have their Pertussis booster vaccine or an exemption statement by the 30th calendar day of the first day of school should not be claimed until the student has obtained their vaccination or filed an exemption statement.

## **MADERA UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012**

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#### **Corrective Action Plan**

Madera Unified School District has and will continue to obtain immunization records for all students entering 7th grade plus any new students entering the District in grades 7-12. The District is also reminding current 6th grade students through out the year of this requirement. Reminders are sent via connect ed., notes from the school nurse, and progress/report cards. Students that do not furnish the District with their immunization by the 31st day will be excluded and not claimed.

**MADERA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

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



December 6, 2012

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, 2012, 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, 2012, on the financial statements of Madera Unified School District.

***MADERA HIGH SCHOOL – ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Finding**

While testing the cash receipts system, we discovered that some 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 teacher, advisors and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors 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.

### ***Revenue Potentials***

#### **Finding**

We noted that revenue potential forms are not always prepared for fundraising activities. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

#### **Recommendation**

The site should complete a revenue potential form for every fundraiser the clubs/site participate in and keep this form on file for future reference.

### ***EASTIN-ARCOLA CONTINUATION - ASSOCIATED STUDENT BODY (ASB)***

#### ***Cash Disbursements***

#### **Finding**

During our audit, we noted that the CalSafe advisor is receiving numerous reimbursements from the ASB account. All snack bar supplies and club activity supplies are being purchased by the advisor and then reimbursed.

#### **Recommendation**

In order to ensure that all reimbursements are properly authorized the site should use purchase orders. In the case of the student store supplies, the site could utilize an "open" purchase order for the estimated amount of the purchase.

#### ***Safeguarding of Assets***

#### **Finding**

ASB funds are secured in the Principal's office; however, we noted that the site does have a safe that should be utilized to store the ASB funds. The Principal/Bookkeeper does not have the code to access the safe and has been unsuccessful in obtaining the access code from past administrators and the vendor.

### **Recommendation**

The site should investigate alternative methods of gaining access to the safe to ensure there are no funds currently stored in there and to properly secure current ASB funds. The site should also consider purchasing a new safe to secure cash collected at the site.

### ***DIXIELAND ELEMENTARY SCHOOL – ASSOCIATED STUDENT BODY (ASB)***

#### ***Cash Receipts***

##### **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**

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.

#### ***Untimely Deposit***

##### **Finding**

During our prior year audit of cash receipts, we noted that deposits are not made in a timely manner. In the current year it appears deposits are still 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.

***LA VINA ELEMENTARY SCHOOL – ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Finding**

While auditing the cash receipts system, we discovered that some 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 teacher, advisors and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors 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.

***GEORGE WASHINGTON ELEMENTARY SCHOOL – ASSOCIATED STUDENT BODY (ASB)***

***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.

***Fundraiser Controls***

**Finding**

During our audit we found that fundraiser tally sheets were not consistently subtotaled, dated, and did not balance to the deposit total. Due to this internal control deficiency, we could not determine the intactness and timeliness of the deposits tested.

Governing Board  
Madera Unified School District  
December 6, 2012

### **Recommendation**

Prenumbered sub-receipts, tally sheets, or similar form of documentation should be issued for all cash collections by teachers for fundraisers and other similar activities. The receipts or logs should indicate from whom the money was received, how much was received and when it was received. The total funds collected should equal the total receipts or funds logged. Upon receipt of the cash and sub-receipts or log, the bookkeeper should verify the information and ensure that the sub-receipts are in chronological and numeric order.

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

*Vannest, Triv, Day & Co., LLP*

Fresno, California  
December 6, 2012