

MADERA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

MADERA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Madera Unified School District
Madera, California

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and 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 Education Agencies 2013-2014*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 5 through 13, budgetary comparison information and other postemployment benefit information on pages 56 and 57, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madera Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

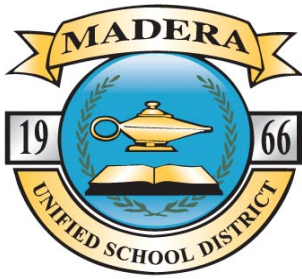
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of the Madera Unified School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madera Unified School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co, LLP

Fresno, California
November 20, 2014



**MADERA UNIFIED
SCHOOL DISTRICT**
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Board of Trustees:

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MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

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, 2014.

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:

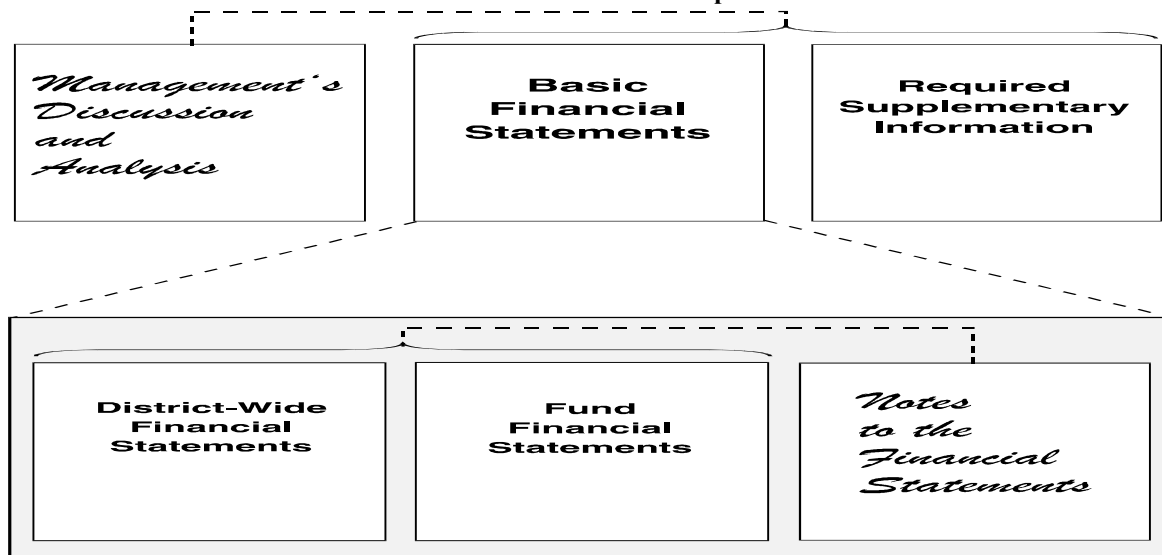
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations 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 2013-14

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	District-wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities.
Required financial statements	<ul style="list-style-type: none"> •statement of net position •statement of activities 	<ul style="list-style-type: none"> •balance sheet •statement of revenues, expenditures & changes in fund balances •reconciliation to government-wide financial statements 	<ul style="list-style-type: none"> •statement of fiduciary net position •statement of changes in fiduciary net position
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 2013-14

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 position 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.

These two district-wide statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

- Over time, increases or decreases in the District's net position is 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

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

- **Fiduciary funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. 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 position. The District's combined net position was \$178.3 million on June 30, 2014, increasing by \$6.5 million (4 percent). (See Table A-1.)

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

	Governmental Activities		
	2014	2013, Restated	Change
Assets			
Current and Other Assets	\$ 101.1	\$ 89.9	\$ 11.2
Capital Assets	194.0	198.0	(4.0)
Total Assets	<u>295.1</u>	<u>287.9</u>	<u>7.2</u>
Liabilities			
Long-Term Obligations Outstanding	99.8	102.1	(2.3)
Other Liabilities	17.0	14.0	3.0
Total Liabilities	<u>116.8</u>	<u>116.1</u>	<u>0.7</u>
Net Position			
Net Investment in Capital Assets	112.7	115.6	(2.9)
Restricted	23.4	19.3	4.1
Unrestricted	42.2	36.9	5.3
Total Net Position	<u>\$ 178.3</u>	<u>\$ 171.8</u>	<u>\$ 6.5</u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

Changes in net position. The District's total governmental revenues were \$183.1 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 \$117.2 million and property taxes contributing about \$24.9 million. Another \$36 million came from categorical programs, \$3.6 million came from fees charged for services, and \$1.4 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$176.6 million. The District's expenses are predominantly related to educating and caring for students (81%). The purely administrative activities of the District accounted for just \$8.2 million.

Total revenues surpassed expenses, increasing net position \$6.5 million over last year. Governmental activities contributed to the District's healthier fiscal status.

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

	Governmental Activities		
	2014	2013	Change
Revenues			
General Revenues:			
Federal and State Aid Formula	\$ 117.2	\$ 101.6	\$ 15.6
Property Taxes	24.9	22.5	2.4
Other	1.4	1.4	-
Program Revenues:			
Charges for Services	3.6	3.0	0.6
Categorical Programs	36.0	38.5	(2.5)
Total Revenues	<u>183.1</u>	<u>167.0</u>	<u>16.1</u>
Expenses			
Instruction Related	120.4	113.9	6.5
Pupil Services	23.6	22.2	1.4
General Administration	8.2	7.6	0.6
Plant Services	15.6	14.8	0.8
Other	8.8	7.3	1.5
Total Expenses	<u>176.6</u>	<u>165.8</u>	<u>10.8</u>
Increase in Net Position	<u><u>\$ 6.5</u></u>	<u><u>\$ 1.2</u></u>	<u><u>\$ 5.3</u></u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

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:

- Maintaining an awareness of the changing fiscal issues in the State of California, and moving forward with caution as the level of funding begins to improve.
- From 2008-09 through 2012-13 the district made \$24.2 million in budget reductions to maintain the District's financial solvency during the State's fiscal crisis.
- In 2013-14 the Local Control Funding Formula was implemented, replacing the previous Revenue Limit formula and State Categorical funding streams. The impact to Madera Unified School District in 2013-14 was a 7.8% increase in funding over the 2012-13 funding floor.
- The District continues to grow, with the average daily attendance increasing by 1.4 percent over the prior year.
- The District's classroom teacher staffing ratio for the 2013-14 school year was 25:1 in grades K-3 and 36:1 in grades 4-12.
- The 2013-14 year was used for planning purposes for implementation of the Local Control Accountability Plan in 2014-15.

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	
	2014	2013	2014	2013
Instruction	\$ 120.4	\$ 113.9	\$ 100.8	\$ 91.1
Student Transportation	6.2	6.3	6.2	2.5
Food Services	10.8	9.7	0.5	-
All Other Pupil Services	6.6	6.2	5.7	5.5
General Administration	8.2	7.6	7.0	6.4
Plant Services	15.6	14.8	15.2	14.2
Other	8.8	7.3	1.7	4.6
Total	\$ 176.6	\$ 165.8	\$ 137.1	\$ 124.3

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

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 \$84.1 million which was an increase of \$8.2 million over the prior year. The primary reasons for the increase were:

- The increase in the General Fund Balance of \$3.5 million is due primarily to increased State revenues and budgetary reductions.
- The capital project funds increased by \$4.3 million due to a General Fund contribution for future facilities needs.
- The debt service funds increased by about \$0.7 million as local debt service tax revenues exceeded debt service costs.
- The special revenue funds decreased by \$0.5 million. The deferred maintenance fund decreased by \$0.2 million due to ongoing maintenance and the cafeteria fund decreased by about \$0.3 million due to purchasing more products under contract.

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 through May 31, 2014 was adopted on July 22, 2014. 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 2014, the District had invested \$194 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices. (See Table A-4.) This amount represents a net decrease of \$4 million or two percent over last year. Total accumulated depreciation for the year was \$78 million.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

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

	Governmental Activities		Total Percentage Change
	2014	2013	
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	12.2	9.6	27.1%
Construction in Progress	0.8	8.5	-90.6%
Buildings	162.2	160.5	1.1%
Furniture and Equipment	5.0	5.6	-10.7%
Total	\$ 194.0	\$ 198.0	-2.0%

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

LONG-TERM OBLIGATIONS

At year-end the District had \$99.8 million long-term obligations outstanding – a decrease of 2.3 percent from last year - as shown in Table A-5.

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

	Governmental Activities		Total Percentage Change
	2014	2013	
General Obligation Bonds	\$ 73.1	\$ 73.9	-1.1%
Certificates of Participation	16.7	16.2	3.1%
Capital Leases Payable	5.1	5.7	-10.5%
Early Retirement	0.7	1.7	-58.8%
Compensated Absences	0.4	0.9	-55.6%
Other Postemployment Benefits	3.7	3.5	5.7%
State Preschool Loan	0.1	0.2	-50.0%
Total	\$ 99.8	\$ 102.1	-2.3%

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.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2013-14

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 Local Control Funding Formula (LCFF) and the impact it will have on funding for education in future years
- The State's ability to meet the cash flow obligations in previous years
- The outcome of District's negotiations with the various unions cannot be predicted
- Facilities Master Plan, Capital Projects, and Equipment Replacement needs
- The on-going cost of funding Post Employment Benefits for retirees per GASB 45
- Changing enrollment trends reflecting a fluctuation in growth compared to previous years
- Implementation of Common Core, Instructional Materials & Professional Development needs
- Technology infrastructure needs
- K-3 Class Size Reduction moving to 24:1 ratio's per LCFF
- Review of all staffing levels

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 POSITION

JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 70,588,824
Receivables	29,687,049
Prepaid expenses	14,351
Stores inventories	864,396
Nondepreciable capital assets	14,575,575
Capital assets being depreciated	259,126,435
Accumulated depreciation	(79,721,657)
Total Assets	295,134,973
LIABILITIES	
Accounts payable	16,462,040
Unearned revenue	587,352
Current portion of long-term obligations	4,778,938
Noncurrent portion of long-term obligations	95,022,219
Total Liabilities	116,850,549
NET POSITION	
Net investment in capital assets	112,656,438
Restricted for:	
Debt service	4,903,264
Capital projects	8,948,773
Educational programs	4,585,724
Other activities	4,986,229
Unrestricted	42,203,996
Total Net Position	\$ 178,284,424

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

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 100,698,941	\$ 539,004	\$ 14,578,548
Instruction-related activities:			
Supervision of instruction	6,436,802	5,262	4,078,669
Instructional library, media, and technology	1,258,541	2,572	168,126
School site administration	11,963,409	78,140	150,382
Pupil services:			
Home-to-school transportation	6,245,900	11,188	4,028
Food services	10,828,469	677,949	9,645,048
All other pupil services	6,561,961	605	813,719
Administration:			
Data processing	1,734,565	28,309	10,193
All other administration	6,486,422	104,078	1,073,825
Plant services	15,604,487	47,685	328,190
Ancillary services	2,167,711	250	90
Community services	18,977	-	-
Interest on long-term obligations	4,685,092	-	-
Other outgo	1,990,127	2,048,006	5,167,169
Total Governmental Activities	\$ 176,681,404	\$ 3,543,048	\$ 36,017,987

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
 Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

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

**Governmental
Activities**

\$ (85,581,389)

(2,352,871)

(1,087,843)

(11,734,887)

(6,230,684)

(505,472)

(5,747,637)

(1,696,063)

(5,308,519)

(15,228,612)

(2,167,371)

(18,977)

(4,685,092)

5,225,048

(137,120,369)

19,874,289

4,368,604

601,936

117,462,219

193,869

1,150,391

143,651,308

6,530,939

171,753,485

\$ 178,284,424

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 34,175,460	\$ 13,612,270	\$ 22,801,094
Receivables	27,227,026	5,030	2,454,993
Due from other funds	135,957	-	17,686
Prepaid expenditures	14,351	-	-
Stores inventories	597,859	-	266,537
Total Assets	\$ 62,150,653	\$ 13,617,300	\$ 25,540,310
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,898,880	\$ -	\$ 563,160
Due to other funds	12,646	5,040	135,957
Unearned revenue	587,352	-	-
Total Liabilities	16,498,878	5,040	699,117
Fund Balances:			
Nonspendable	640,210	-	271,677
Restricted	4,512,709	13,612,260	18,643,899
Committed	-	-	932,469
Assigned	6,979,548	-	4,993,148
Unassigned	33,519,308	-	-
Total Fund Balances	45,651,775	13,612,260	24,841,193
Total Liabilities and Fund Balances	\$ 62,150,653	\$ 13,617,300	\$ 25,540,310

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

Total Governmental Funds	
	<hr/>
\$	70,588,824
	29,687,049
	153,643
	14,351
	864,396
	<hr/>
\$	101,308,263
	<hr/>

\$	16,462,040
	153,643
	587,352
	<hr/>
	17,203,035
	<hr/>
	911,887
	36,768,868
	932,469
	11,972,696
	33,519,308
	<hr/>
	84,105,228
	<hr/>
\$	101,308,263
	<hr/>

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

Total Fund Balance - Governmental Funds **\$ 84,105,228**
Amounts Reported for Governmental Activities in the
Statement of Net Position 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	\$ 273,702,010	
Accumulated depreciation is	<u>(79,721,657)</u>	
Net Capital Assets		193,980,353

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Bonds payable	72,930,835	
Certificates of participation	16,745,000	
State preschool loan program	119,940	
Compensated absences (vacations)	425,969	
Early retirement programs	694,154	
Capital leases payable	5,140,400	
Other postemployment benefits	<u>3,744,859</u>	
Total Long-Term Obligations		<u>(99,801,157)</u>
Total Net Position - Governmental Activities		<u>\$ 178,284,424</u>

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

MADERA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds
REVENUES			
Local Control Funding Formula	\$ 129,980,661	\$ -	\$ -
Federal sources	11,755,435	-	9,820,056
Other State sources	14,673,765	-	2,327,049
Other local sources	6,428,554	49,492	8,145,942
Total Revenues	162,838,415	49,492	20,293,047
EXPENDITURES			
Current			
Instruction	95,635,740	-	1,730,881
Instruction-related activities:			
Supervision of instruction	6,165,967	-	281,642
Instructional library, media and technology	1,259,713	-	-
School site administration	11,529,703	-	422,440
Pupil services:			
Home-to-school transportation	5,651,709	-	-
Food services	1,110	-	10,882,198
All other pupil services	6,547,595	-	31,519
Administration:			
Data processing	1,836,659	-	-
All other administration	5,767,984	-	807,561
Plant services	14,292,962	-	827,782
Facility acquisition and construction	91,464	-	1,345,598
Ancillary services	2,165,323	-	-
Community services	18,938	-	-
Other outgo	1,990,127	-	-
Debt service			
Principal	590,823	-	18,733,735
Interest and other	211,977	-	2,967,901
Total Expenditures	153,757,794	-	38,031,257
Excess (Deficiency) of Revenues			
Over Expenditures	9,080,621	49,492	(17,738,210)
Other Financing Sources (Uses)			
Transfers in	36,450	-	6,998,691
Other sources	31,389	-	16,745,000
Transfers out	(5,621,410)	(106,889)	(1,306,842)
Net Financing Sources (Uses)	(5,553,571)	(106,889)	22,436,849
NET CHANGE IN FUND BALANCES	3,527,050	(57,397)	4,698,639
Fund Balance - Beginning	42,124,725	13,669,657	20,142,554
Fund Balance - Ending	\$ 45,651,775	\$ 13,612,260	\$ 24,841,193

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

Total Governmental Funds	
<hr/>	
\$	129,980,661
	21,575,491
	17,000,814
	14,623,988
	<hr/>
	183,180,954
	<hr/>
	97,366,621
	6,447,609
	1,259,713
	11,952,143
	5,651,709
	10,883,308
	6,579,114
	1,836,659
	6,575,545
	15,120,744
	1,437,062
	2,165,323
	18,938
	1,990,127
	19,324,558
	3,179,878
	<hr/>
	191,789,051
	<hr/>
	(8,608,097)
	<hr/>
	7,035,141
	16,776,389
	(7,035,141)
	<hr/>
	16,776,389
	<hr/>
	8,168,292
	75,936,936
\$	<hr/>
	84,105,228
	<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, 2014

Total Net Change in Fund Balances - Governmental Funds **\$ 8,168,292**
**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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

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

Depreciation expense	\$ (5,879,300)	
Capital outlays	<u>1,896,544</u>	
Net Expense Adjustment		(3,982,756)

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 \$1,049,301. Vacation paid was more than the amounts earned by \$449,249.

1,498,550

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:

(227,491)

Proceeds received from the sale of Certificates of Participation is are revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position does not affect the Statement of Activities.

(16,745,000)

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 Position and does not affect the Statement of Activities:

General obligation bonds	2,465,000
Certificates of participation	16,235,000
State preschool loan program	33,735
Capital lease obligations	590,823

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, 2014

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 bond premium	\$ 81,177
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.	(1,586,391)
Change in Net Position of Governmental Activities	<u>\$ 6,530,939</u>

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2014

	Scholarship Trusts	Agency Funds
ASSETS		
Deposits and investments	\$ 91,126	\$ 348,015
Accounts receivable	20	-
Total Assets	<u>91,146</u>	<u>\$ 348,015</u>
LIABILITIES		
Due to student groups		
Dixieland	-	\$ 8,279
Jefferson	-	17,283
King	-	15,725
La Vina	-	714
Washington	-	5,777
Madera High	-	117,809
Eastin Arcola Continuation	-	10,709
Desmond Middle	-	11,811
Madera South High	-	159,908
Total Liabilities	<u>-</u>	<u>\$ 348,015</u>
NET POSITION - RESERVED		
Lorraine Thompson Scholarship	40,321	
Student Government Scholarship	2,181	
Albonico Scholarship	9,100	
E.L.L. Scholarship	125	
Ray Pool Scholarship	5,000	
J. Desmond Scholarship	120	
Dave Schoettler Memorial Scholarship	1,040	
K. Roberts Memorial Scholarship	120	
Science and Health Scholarship	43	
FCCLA Scholarship	296	
Binger Scholarship	2,329	
Cardenazz Roberts Scholarship	603	
Rodger Scott Memorial Scholarship	600	
School of Business Scholarship	500	
Joan Davis Scholarship	1,425	
Madera Lions Club	18,011	
Audrey Pool Scholarship	5,000	
F.F.A Memorial Fund Scholarship	2,332	
M. Wong Class of 85' Scholarship (MSHS)	2,000	
Total Net Position	<u>\$ 91,146</u>	

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS - SCHOLARSHIP TRUSTS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

	Scholarship Trusts
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 157
Albonico Scholarship	9,100
Ray Pool Scholarship	5,000
Dave Schoettler Mem Scholarship	1,000
Binger Scholarship	8
Cardenazz Roberts Scholarship	3
Joan Davis Scholarship	500
Madera Lions Club	70
Audrey Pool Scholarship	5,000
M. Wong Class of 85' Scholarship (MSHS)	2,000
Total Additions	22,838
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	2,000
Student Government Scholarship	639
Ray Pool Scholarship	5,000
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	7,000
Audrey Pool Scholarship	5,000
M. Wong Class of 85' Scholarship (MSHS)	2,000
Total Deductions	24,639
Change in Net Position	(1,801)
Net Position - Beginning	92,947
Net Position - Ending	\$ 91,146

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 seventeen elementary schools, three middle schools, two comprehensive high schools, two 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, 2014

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.

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 used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes 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 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).

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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 debt.

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, 2014

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 position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their 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, 2014

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.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, 2014, 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 when used.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 Position*.

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 position.

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.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2014, 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, 2014

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 position is available. The government-wide financial statements report \$23,423,990 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$1,251,717. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 non-employer 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, non-employer 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 70,588,824
Fiduciary funds	439,141
Total Deposits and Investments	<u>\$ 71,027,965</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 399,264
Cash in revolving	33,140
Investments	70,595,561
Total Deposits and Investments	<u>\$ 71,027,965</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, 2014

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times 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>\$ 70,561,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,561,209</u>	<u>\$ -</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, \$225,287 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Bulding Fund	Non-Major Governmental Funds	Total	Scholarship Trusts
Federal Government					
Categorical aid	\$ 1,123,983	\$ -	\$ 1,647,096	\$ 2,771,079	\$ -
State Government					
State principal apportionment	22,230,497	-	-	22,230,497	-
Other state sources	2,558,112	-	241,572	2,799,684	-
Local Sources	1,314,434	5,030	566,325	1,885,789	20
Total Fund Statements	<u>\$ 27,227,026</u>	<u>\$ 5,030</u>	<u>\$ 2,454,993</u>	<u>\$ 29,687,049</u>	<u>\$ 20</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, are as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	8,492,619	222,694	7,903,070	812,243
Total Capital Assets Not Being Depreciated	22,255,951	222,694	7,903,070	14,575,575
Capital Assets being depreciated				
Land improvements	12,519,306	3,353,660	-	15,872,966
Buildings and improvements	216,811,501	5,653,646	-	222,465,147
Furniture and equipment	20,224,107	569,614	5,399	20,788,322
Total Capital Assets Being Depreciated	249,554,914	9,576,920	5,399	259,126,435
Less Accumulated Depreciation				
Land improvements	2,942,124	712,643	-	3,654,767
Buildings and improvements	56,278,857	4,045,294	-	60,324,151
Furniture and equipment	14,626,775	1,121,363	5,399	15,742,739
Total Accumulated Depreciation	73,847,756	5,879,300	5,399	79,721,657
Governmental Activities Capital Assets, Net	\$ 197,963,109	\$ 3,920,314	\$ 7,903,070	\$ 193,980,353

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,097,944
School Administration	98,557
Pupil Transportation	667,310
Food Services	42,778
Data Processing Services	132,281
Plant Maintenance and Operations	840,430
Total Depreciation Expenses Governmental Activities	<u>\$ 5,879,300</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 135,957	\$ 12,646
Building	-	5,040
Total Major Governmental Funds	135,957	17,686
Total Non-Major Governmental Funds	17,686	135,957
Total All Governmental Funds	<u>\$ 153,643</u>	<u>\$ 153,643</u>

The Child Development Fund owes the General Fund for a temporary loan.	\$ 125,000
The General Fund owes the Deferred Maintenance Fund to cover maintenance expenses.	6,987
The General Fund owes the Cafeteria Fund for indirect costs.	5,545
The Building Fund owes the County School Facilities Fund for capital outlay expenditures.	5,040
The Cafeteria Fund owes the General Fund for indirect costs.	4,837
The Adult Education Fund owes the General Fund for indirect costs.	4,480
The Child Development Fund owes the General Fund for indirect costs.	1,640
The General Fund owes the Child Development Fund for miscellaneous items.	114
Total	<u>\$ 153,643</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Operating Transfers

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. Interfund transfers for the year ended June 30, 2014, consist of the following:

The General Fund transferred to the Special Reserve - Capital Outlay Fund for future school construction needs.	\$ 4,079,959
The Capital Facilities Fund transferred to the Debt Service Fund for the 2004 debt service payments.	1,260,816
The General Fund transferred to the Deferred Maintenance Fund for maintenance projects.	667,218
The General Fund transferred to the Adult Education Fund for program operations.	600,000
The General Fund transferred to the Cafeteria Fund for reimbursement of noncompliant expenditures.	274,120
The Building Fund transferred to the County School Facilities Fund for construction costs.	106,889
The Capital Facilities Fund transferred to the General Fund the three percent developer fee.	36,450
The Adult Education Fund transferred to the Child Development Fund for Small Fry Nursery School.	9,576
The General Fund transferred to the Child Development Fund for miscellaneous items.	113
Total	<u><u>\$ 7,035,141</u></u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consist of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 8,487,752	\$ 488,161	\$ 8,975,913
Deferred payroll	3,654,155	-	3,654,155
State principal apportionment	1,520,230	-	1,520,230
Accrued salaries and benefits	2,236,743	74,999	2,311,742
Total	<u><u>\$ 15,898,880</u></u>	<u><u>\$ 563,160</u></u>	<u><u>\$ 16,462,040</u></u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund
Federal financial assistance	\$ 499,758
State categorical aid	14,259
Local sources	73,335
Total	<u>\$ 587,352</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2013, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,390,000, which matured on October 1, 2013.

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2013	Additions	Payments	Outstanding June 30, 2014
2/20/13	2.00%	10/1/13	<u>\$ 3,390,000</u>	<u>\$ -</u>	<u>\$ 3,390,000</u>	<u>\$ -</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds-2005					
Current Interest Bonds	\$ 7,295,000	\$ -	\$ 1,180,000	\$ 6,115,000	\$ 1,310,000
Capital Appreciation Bonds	20,117,516	975,260	-	21,092,776	-
General obligation bonds-2006					
Current Interest Bonds	1,275,000	-	170,000	1,105,000	185,000
Capital Appreciation Bonds	2,678,064	131,084	-	2,809,148	-
General obligation bonds-2007					
Current Interest Bonds	15,980,000	-	800,000	15,180,000	895,000
Capital Appreciation Bonds	12,400,723	480,047	-	12,880,770	-
Premium	827,763	-	43,566	784,197	43,566
2012 Refunding general obligation bonds	12,790,000	-	315,000	12,475,000	335,000
Premium	526,555	-	37,611	488,944	37,611
Certificates of participation-2004	16,235,000	-	16,235,000	-	-
Certificates of participation-2014	-	16,745,000	-	16,745,000	870,000
State Preschool Revolving Loan	153,675	-	33,735	119,940	33,735
Compensated absences - net	875,218	-	449,249	425,969	-
Early retirement programs	1,743,455	89,218	1,138,519	694,154	452,059
Capital leases	5,731,223	-	590,823	5,140,400	616,967
Other postemployment benefits	3,517,368	2,862,578	2,635,087	3,744,859	-
Total	<u>\$ 102,146,560</u>	<u>\$ 21,283,187</u>	<u>\$ 23,628,590</u>	<u>\$ 99,801,157</u>	<u>\$ 4,778,938</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments on the State Preschool 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, 2014

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2014
Current Interest Bonds:							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2006-8/2017	3-5%	\$12,670,000	\$ 7,295,000	\$ -	\$1,180,000	\$ 6,115,000
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2018	3.75-4%	1,915,000	1,275,000	-	170,000	1,105,000
2006 - Series 2007 General Obligation Bonds							
3/1/07	8/2007-8/2023	4-5%	18,690,000	15,980,000	-	800,000	15,180,000
2012 - Refunding General Obligation Bonds							
2/22/12	8/2012-8/2028	2-3.625%	12,925,000	12,790,000	-	315,000	12,475,000
Capital Appreciation Bonds:							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2018-8/2029	4.77-5.23%	13,329,104	20,117,516	975,260	-	21,092,776
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,678,064	131,084	-	2,809,148
2006 - Series 2007 General Obligation Bonds							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	12,400,723	480,047	-	12,880,770
Total				<u>\$72,536,303</u>	<u>\$1,586,391</u>	<u>\$2,465,000</u>	<u>\$71,657,694</u>

Debt Service Requirements to Maturity

2002 - Series 2005 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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>\$ 6,115,000</u>	<u>\$ 648,625</u>	<u>\$ 6,763,625</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

2002 - Series 2006 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 185,000	\$ 43,210	\$ 228,210
2016	200,000	35,810	235,810
2017	220,000	27,810	247,810
2018	240,000	19,010	259,010
2019	260,000	10,010	270,010
Total	<u>\$ 1,105,000</u>	<u>\$ 135,850</u>	<u>\$ 1,240,850</u>

2002 - Series 2007 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
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	1,255,000	598,588	1,853,588
2019	1,390,000	545,250	1,935,250
2020-2024	9,515,000	1,520,250	11,035,250
Total	<u>\$ 15,180,000</u>	<u>\$ 4,744,052</u>	<u>\$ 19,924,052</u>

2012 Refunding Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 355,000	\$ 463,419	\$ 818,419
2016	405,000	452,769	857,769
2017	450,000	444,669	894,669
2018	510,000	426,669	936,669
2019	575,000	406,269	981,269
2020-2024	3,945,000	1,657,945	5,602,945
2025-2029	6,235,000	734,957	6,969,957
Total	<u>\$ 12,475,000</u>	<u>\$ 4,586,697</u>	<u>\$ 17,061,697</u>

Capital Appreciation Bonds

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2006 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019	\$ 1,925,000	\$ 1,594,285	\$ 280,000	\$ 225,456	\$ -	\$ -
2020-2024	11,015,000	7,810,677	1,610,000	1,127,331	-	-
2025-2029	13,735,000	7,447,262	2,255,000	1,168,017	13,705,000	8,062,871
2030-2032	9,455,000	4,240,552	760,000	288,344	9,845,000	4,817,899
Total	<u>\$ 36,130,000</u>	<u>\$ 21,092,776</u>	<u>\$ 4,905,000</u>	<u>\$ 2,809,148</u>	<u>\$ 23,550,000</u>	<u>\$ 12,880,770</u>

Certificates of Participation

In February 2014, the Madera Unified School District issued certificates of participation in the amount of \$16,745,000 with an interest rate of 3.87 percent. The proceeds were used to fully defease the \$16,235,000 remaining balance of the 2004 Certificates of Participation.

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 870,000	\$ 360,018	\$ 1,230,018
2016	580,000	614,363	1,194,363
2017	605,000	591,917	1,196,917
2018	630,000	568,503	1,198,503
2019	650,000	544,122	1,194,122
2020-2024	3,660,000	2,321,808	5,981,808
2025-2029	4,415,000	1,558,257	5,973,257
2030-2034	5,335,000	635,068	5,970,068
Total	<u>\$ 16,745,000</u>	<u>\$ 7,194,056</u>	<u>\$ 23,939,056</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
2015	\$ 33,735
2016	33,735
2017	33,735
2018	18,735
Total	<u>\$ 119,940</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$425,969.

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 \$694,154 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$1,138,519.

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, 2013	\$ 5,731,223
Payments	590,823
Balance, June 30, 2014	<u>\$ 5,140,400</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2015	\$ 800,776
2016	800,776
2017	800,776
2018	438,853
2019	391,039
2020-2024	1,955,195
2025-2027	977,595
Total	<u>6,165,010</u>
Less: Amount Representing Interest	<u>1,024,610</u>
Present Value of Minimum Lease Payments	<u>\$ 5,140,400</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$2,721,883, and contributions made by the District during the year were \$2,431,677 (including the implicit rate subsidy factor of 1.1526). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$140,695 and \$(203,410), respectively, which resulted in an increase to the net OPEB obligation of \$227,491. As of June 30, 2014, the net OPEB obligation was \$3,744,859. 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, 2014

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	\$ -	\$ 5,140	\$ 33,140
Stores inventories	597,859	-	266,537	864,396
Prepaid expenditures	14,351	-	-	14,351
Total Nonspendable	640,210	-	271,677	911,887
Restricted				
Legally restricted programs	4,512,709	-	2,295	4,515,004
Childcare programs	-	-	73,015	73,015
Capital projects	-	13,612,260	8,948,773	22,561,033
Debt services	-	-	4,903,264	4,903,264
Food service	-	-	4,716,552	4,716,552
Total Restricted	4,512,709	13,612,260	18,643,899	36,768,868
Committed				
Adult education program	-	-	932,269	932,269
Deferred maintenance program	-	-	200	200
Total Committed	-	-	932,469	932,469
Assigned				
Tier III and lottery textbooks	2,768,536	-	-	2,768,536
Tier III technology infrastructure	2,340,114	-	-	2,340,114
Vacation accrual	390,117	-	-	390,117
Summer school costs	61,833	-	-	61,833
Equipment replacement	944,630	-	-	944,630
Various resources and departments	426,917	-	-	426,917
Capital projects	-	-	4,993,148	4,993,148
Other	47,401	-	-	47,401
Total Assigned	6,979,548	-	4,993,148	11,972,696
Unassigned				
Reserve for economic uncertainties	4,661,296	-	-	4,661,296
Remaining unassigned	28,858,012	-	-	28,858,012
Total Unassigned	33,519,308	-	-	33,519,308
Total	\$ 45,651,775	\$ 13,612,260	\$ 24,841,193	\$ 84,105,228

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2014, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Classified salaries	\$ 19,016,736	\$ 19,560,132	\$ (543,396)
Other outgo	\$ 52,622	\$ 1,331,845	\$ (1,279,223)
Debt service - interest	\$ 209,953	\$ 211,977	\$ (2,024)

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 160 retirees and beneficiaries currently receiving benefits and approximately 1,460 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 2013-2014, the District contributed \$2,109,732 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 approximately \$400,000, 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, 2014

Annual required contribution	\$ 2,721,883
Interest on net OPEB obligation	140,695
Adjustment to annual required contribution	(203,410)
Annual OPEB cost (expense)	<u>2,659,168</u>
Contributions made (includes implicit rate subsidy factor)	<u>(2,431,677)</u>
Increase in net OPEB obligation	227,491
Net OPEB obligation, beginning of year	3,517,368
Net OPEB obligation, end of year	<u><u>\$ 3,744,859</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
2014	\$ 2,659,168	\$ 2,431,677	91.45%	\$ 3,744,859
2013	2,867,459	2,581,485	90.03%	3,517,368
2012	2,873,922	2,444,489	85.06%	3,231,394

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, 2013	\$ -	\$ 27,479,255	\$ 27,479,255	0.00%	\$ 82,634,976	33.25%

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, 2014

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, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 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 to an ultimate 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2013, was 25 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, 2014, 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, 2014

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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$5,611,020, \$5,433,143, and \$5,272,769, 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 2014

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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, 2014, 2013, and 2012, were \$2,309,396, \$2,122,666, and \$2,033,025, 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 \$3,728,542 (5.541 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, 2014.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014.

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, 2014, 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	2019
Future Elementary School	23,000,000	2017
Total	<u>\$ 218,000,000</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, 2014, the District made payment of \$1,990,086 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2014, the District made payment of \$21,829,205 to CVT for health and welfare benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 173,005,202
Restatement/cost of issuance	<u>1,251,717</u>
Net Position - Beginning as Restated	<u><u>\$ 171,753,485</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MADERA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variations - Favorable (Unfavorable)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$97,878,058	\$128,522,994	\$129,980,661	\$ 1,457,667
Federal sources	11,592,850	14,811,212	11,755,435	(3,055,777)
Other State sources	27,176,145	10,844,311	10,945,223	100,912
Other local sources	5,153,077	6,600,748	6,428,554	(172,194)
Total Revenues ¹	141,800,130	160,779,265	159,109,873	(1,669,392)
EXPENDITURES				
Current				
Certificated salaries	68,908,134	69,963,743	69,508,713	455,030
Classified salaries	17,383,645	19,016,736	19,560,132	(543,396)
Employee benefits	34,497,598	36,073,144	35,336,668	736,476
Books and supplies	11,582,324	18,331,971	10,410,774	7,921,197
Services and operating expenditures	8,989,529	13,871,896	12,622,073	1,249,823
Other outgo	1,875	52,622	1,331,845	(1,279,223)
Capital outlay	461,000	455,887	456,247	(360)
Debt service - principal	590,823	590,823	590,823	-
Debt service - interest	209,953	209,953	211,977	(2,024)
Total Expenditures ¹	142,624,881	158,566,775	150,029,252	8,537,523
Excess (Deficiency) of Revenues Over Expenditures	(824,751)	2,212,490	9,080,621	6,868,131
Other Financing Sources (Uses)				
Transfers in	18,935	18,935	36,450	17,515
Other sources	-	66,974	31,389	(35,585)
Transfers out	(1,260,231)	(5,340,190)	(5,621,410)	(281,220)
Net Financing Sources (Uses)	(1,241,296)	(5,254,281)	(5,553,571)	(299,290)
NET CHANGE IN FUND BALANCES	(2,066,047)	(3,041,791)	3,527,050	6,568,841
Fund Balance - Beginning	42,124,725	42,124,725	42,124,725	-
Fund Balance - Ending	\$40,058,678	\$ 39,082,934	\$ 45,651,775	\$ 6,568,841

¹ On behalf payments are not included in the revenues and expenditures in this Schedule.

MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	\$ -	\$ 27,479,255	\$ 27,479,255	0.00%	\$ 82,634,976	33.25%
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%

SUPPLEMENTARY INFORMATION

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Adult Education			
Basic	84.002A	14508	\$ 69,755
Secondary Education	84.002	13978	61,605
Institutionalized Adults	84.002	13971	10,000
English Literacy and Civics Education	84.002A	14109	45,429
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	6,908,924
Title I - Part C, Migrant	84.011	14326	124,831
Title I - Part G, Advanced Placement Fee Program	84.330B	14831	21,645
Title II - Part A, Teacher Quality	84.367	14341	419,130
Title III - LEP	84.365	14346	714,543
Title IV- Part B, 21st Century Community Learning Centers Program	84.287	14349	1,807,631
Title X - McKinney-Vento Homeless Assistance	84.196	14332	184
Safe and Supportive Schools Programmatic Intervention	84.184	15164	299,358
Special Education Programs			
IDEA, Basic Local Assistance	84.027	13379	1,181,457
IDEA, Basic Local Assistance, Private School	84.027	10115	2,029
Subtotal Special Education Programs			<u>1,183,486</u>
Vocational Educational Programs			
Adult	84.048	14893	13,514
Technology Secondary Education	84.048	14894	201,896
Total U.S. Department of Education			<u>11,881,931</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	7,020,918
Basic Breakfast	10.553	13525	989
Especially Needy Breakfast	10.553	13526	1,753,597
Meals Supplements-Snack	10.555	13391	333,890
Food distribution-commodities	10.555	13391	473,176
Summer Food Program	10.559	13004	74,437
Subtotal Child Nutrition Cluster			<u>9,657,007</u>
Fresh Fruit and Vegetable Program	10.582	14968	435,922
Total U.S. Department of Agriculture			<u>10,092,929</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA/ Contract Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	<u>\$ 73,807</u>
Total U.S. Department of Health and Human Services			<u>73,807</u>
Total Expenditures of Federal Awards			<u><u>\$ 22,048,667</u></u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

The Madera Unified School District was established in 1966 and consists of an area comprising approximately 400 square miles. The District operates seventeen elementary schools, three middle schools, two comprehensive high schools, two alternative education schools, and one adult education school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Michael Salvador	President	2014
Jose Rodriguez	Clerk	2014
Lynn Cogdill	Trustee	2014
Robert E. Garibay	Trustee	2016
Maria Velarde-Garcia	Trustee	2014
Ray G. Seibert	Trustee	2016
Ricardo Arredondo	Trustee	2016

ADMINISTRATION

Edward C. González	Superintendent
Anthony Monreal	Deputy Superintendent
Sandon Schwartz	Assistant Superintendent, Administrative and Support Services
Tracie Green	Director of Human Resources
Teri Bradshaw	Director of Fiscal Services
Elizabeth Runyon	Chief Academic Officer, Elementary
Robert Chavez	Chief Academic Officer, Secondary

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,492.40	6,495.47
Fourth through sixth	4,489.96	4,484.62
Seventh and eighth	2,774.69	2,769.73
Ninth through twelfth	4,918.09	4,874.25
Total Regular ADA	18,675.14	18,624.07
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.23	0.18
Total Special Education, Nonpublic, Nonsectarian Schools	0.23	0.18
Total ADA	18,675.37	18,624.25

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-1987	Reduced	2013-2014 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-1987 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	55,800	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			55,800	180	N/A	Complied
Grade 2			55,800	180	N/A	Complied
Grade 3			55,800	180	N/A	Complied
Grades 4 - 8	54,000	52,500				
Grade 4			55,800	180	N/A	Complied
Grade 5			55,800	180	N/A	Complied
Grade 6			55,800	180	N/A	Complied
Grade 7			55,890	180	N/A	Complied
Grade 8			55,890	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			67,259	180	N/A	Complied
Grade 10			67,259	180	N/A	Complied
Grade 11			67,259	180	N/A	Complied
Grade 12			67,259	180	N/A	Complied

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues and other sources ³	\$ 171,452,782	\$ 159,177,712	\$ 144,878,961	\$ 146,207,855
Expenditures and other uses ³	176,955,569	155,650,662	142,384,100	141,895,973
INCREASE/(DECREASE) IN FUND BALANCE	\$ (5,502,787)	\$ 3,527,050	\$ 2,494,861	\$ 4,311,882
ENDING FUND BALANCE	\$ 40,148,988	\$ 45,651,775	\$ 42,124,725	\$ 39,629,864
AVAILABLE RESERVES ²	\$ 27,522,522	\$ 33,519,308	\$ 32,414,776	\$ 31,921,910
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	15.6%	21.5%	22.8%	22.5%
LONG-TERM OBLIGATIONS	Not Available	\$ 99,801,157	\$ 102,146,560	\$ 104,769,685
AVERAGE DAILY ATTENDANCE AT P-2	18,675	18,675	18,422	18,318

The General Fund balance has increased by \$6,021,911 over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$5,502,787 (12.05 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 all of the past three years but anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$4,968,528 over the past two years.

Average daily attendance has increased by 357 over the past two years. No change in ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned funds contained within the General Fund.

³ On behalf payments have been excluded from revenues and expenditures and the calculation of available reserve percentage in this schedule.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2014

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

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 650,662	\$ 13,750	\$ 3,355,368
Receivables	335,073	221,399	1,625,901
Due from other funds	-	114	5,545
Stores inventories	-	-	266,537
Total Assets	\$ 985,735	\$ 235,263	\$ 5,253,351
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 44,691	\$ 35,608	\$ 262,285
Due to other funds	4,480	126,640	4,837
Total Liabilities	49,171	162,248	267,122
Fund Balances:			
Nonspendable	2,000	-	269,677
Restricted	2,295	73,015	4,716,552
Committed	932,269	-	-
Assigned	-	-	-
Total Fund Balances	936,564	73,015	4,986,229
Total Liabilities and Fund Balances	\$ 985,735	\$ 235,263	\$ 5,253,351

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
\$ 128,771	\$ 5,070,471	\$ 3,828,019	\$ 5,058,434	\$ 3,686,750
200	62,875	1,500	400	207,445
6,987	-	5,040	-	-
-	-	-	-	-
<u>\$ 135,958</u>	<u>\$ 5,133,346</u>	<u>\$ 3,834,559</u>	<u>\$ 5,058,834</u>	<u>\$ 3,894,195</u>
\$ 135,758	\$ 7,542	\$ 11,590	\$ 65,686	\$ -
-	-	-	-	-
<u>135,758</u>	<u>7,542</u>	<u>11,590</u>	<u>65,686</u>	<u>-</u>
-	-	-	-	-
-	5,125,804	3,822,969	-	3,894,195
200	-	-	-	-
-	-	-	4,993,148	-
<u>200</u>	<u>5,125,804</u>	<u>3,822,969</u>	<u>4,993,148</u>	<u>3,894,195</u>
<u>\$ 135,958</u>	<u>\$ 5,133,346</u>	<u>\$ 3,834,559</u>	<u>\$ 5,058,834</u>	<u>\$ 3,894,195</u>

MADERA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, Continued JUNE 30, 2014

	COP Debt Service Fund	Total Non-Major Governmental Funds
ASSETS		
Deposits and investments	\$ 1,008,869	\$ 22,801,094
Receivables	200	2,454,993
Due from other funds	-	17,686
Stores inventories	-	266,537
Total Assets	\$ 1,009,069	\$ 25,540,310
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 563,160
Due to other funds	-	135,957
Total Liabilities	-	699,117
Fund Balances:		
Nonspendable	-	271,677
Restricted	1,009,069	18,643,899
Committed	-	932,469
Assigned	-	4,993,148
Total Fund Balances	1,009,069	24,841,193
Total Liabilities and Fund Balances	\$ 1,009,069	\$ 25,540,310

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, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 200,303	\$ -	\$ 9,619,753
Other State sources	50,738	1,518,927	708,366
Other local sources	329,737	187,192	812,043
Total Revenues	580,778	1,706,119	11,140,162
EXPENDITURES			
Current			
Instruction	479,430	1,251,451	-
Instruction-related activities:			
Supervision of instruction	-	281,642	-
School site administration	422,440	-	-
Pupil services:			
Food services	-	11,295	10,870,903
All other pupil services	-	31,519	-
Administration:			
All other administration	10,220	79,889	568,173
Plant services	81,364	28,088	305,897
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	33,735	-
Interest and other	-	-	-
Total Expenditures	993,454	1,717,619	11,744,973
Excess (Deficiency) of Revenues Over Expenditures	(412,676)	(11,500)	(604,811)
Other Financing Sources (Uses)			
Transfers in	600,000	9,689	274,120
Other sources	-	-	-
Transfers out	(9,576)	-	-
Net Financing Sources (Uses)	590,424	9,689	274,120
NET CHANGE IN FUND BALANCES	177,748	(1,811)	(330,691)
Fund Balance - Beginning	758,816	74,826	5,316,920
Fund Balance - Ending	\$ 936,564	\$ 73,015	\$ 4,986,229

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	49,018
1,323	2,473,170	13,938	3,743	4,323,197
1,323	2,473,170	13,938	3,743	4,372,215
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	149,279	-	-	-
336,938	-	25,498	49,997	-
543,173	626,549	100,559	75,317	-
-	-	-	-	2,465,000
-	-	-	-	1,595,017
880,111	775,828	126,057	125,314	4,060,017
(878,788)	1,697,342	(112,119)	(121,571)	312,198
667,218	-	106,889	4,079,959	-
-	-	-	-	-
-	(1,297,266)	-	-	-
667,218	(1,297,266)	106,889	4,079,959	-
(211,570)	400,076	(5,230)	3,958,388	312,198
211,770	4,725,728	3,828,199	1,034,760	3,581,997
\$ 200	\$ 5,125,804	\$ 3,822,969	\$ 4,993,148	\$ 3,894,195

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, 2014

	COP Debt Service Fund	Total Non-Major Governmental Funds
REVENUES		
Federal sources	\$ -	\$ 9,820,056
Other State sources	-	2,327,049
Other local sources	1,599	8,145,942
Total Revenues	1,599	20,293,047
EXPENDITURES		
Current		
Instruction	-	1,730,881
Instruction-related activities:		
Supervision of instruction	-	281,642
School site administration	-	422,440
Pupil services:		
Food services	-	10,882,198
All other pupil services	-	31,519
Administration:		
All other administration	-	807,561
Plant services	-	827,782
Facility acquisition and construction	-	1,345,598
Debt service		
Principal	16,235,000	18,733,735
Interest and other	1,372,884	2,967,901
Total Expenditures	17,607,884	38,031,257
Excess (Deficiency) of Revenues Over Expenditures	(17,606,285)	(17,738,210)
Other Financing Sources (Uses)		
Transfers in	1,260,816	6,998,691
Other sources	16,745,000	16,745,000
Transfers out	-	(1,306,842)
Net Financing Sources (Uses)	18,005,816	22,436,849
NET CHANGE IN FUND BALANCES	399,531	4,698,639
Fund Balance - Beginning	609,538	20,142,554
Fund Balance - Ending	\$ 1,009,069	\$ 24,841,193

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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:		\$ 21,575,491
Reconciling items:		
Food distribution-commodities	10.555	473,176
Total Schedule of Expenditures of Federal Awards		<u>\$ 22,048,667</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. The District neither met nor exceeded its target funding. 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 the 1986-1987 requirements as required by *Education Code* Section 46201.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Madera Unified School District's basic financial statements, and have issued our report thereon dated November 20, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madera Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madera Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Madera Unified School District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madera Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated November 20, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vannink, Trine, Day & Co, LLP

Fresno, California
November 20, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Madera Unified School District
Madera, California

Report on Compliance for Each Major Federal Program

We have audited Madera Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Madera Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Madera Unified School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Madera Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Madera Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Madera Unified School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of Madera Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madera Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vannink, Trine, Day & Co, LLP

Fresno, California
November 20, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Madera Unified School District
Madera, California

Report on State Compliance

We have audited Madera Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Madera Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Madera Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2013-2014*. These standards 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.

Unmodified Opinion

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, 2014.

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
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
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
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	Not Applicable

Vannink, Trine, Day & Co, LLP

Fresno, California
November 20, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</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 Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Part A, Basic</u>
<u>84.027</u>	<u>Special Education Programs</u>
<u>84.287</u>	<u>Title IV - Part B, 21st Century Community Learning Centers Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 661,460</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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MADERA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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



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, 2014, 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 November 20, 2014, on the government-wide financial statements of the District.

MADERA HIGH SCHOOL – ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit of the cash receipts system, we discovered that some advisors are not using prenumbered 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.

Stores Inventory

Observation

During our audit, we found that the student store is not reconciling daily sales to ending inventory on a regular basis. At this time, the student store sales should also be reconciled to ensure that all items purchased for resale have been sold or accounted for.

Recommendation

We recommend that a "Daily Sales Form" be used to reconcile to student store sales to ensure all merchandise has been accounted for. The daily sales form should reconcile to the actual cash on hand from sales for that day.

DESMOND MIDDLE SCHOOL – ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit of cash receipts, we discovered the following deficiencies:

- ASB bookkeeper does not immediately issue prenumbered receipts for money received. Instead, she will store the money in the safe until such time a deposit is to be made and will then prepare receipts.
- Teachers/advisors do not always turn in money on a timely basis to the ASB bookkeeper.
- There was one instance where the sub-receipts attached to a deposit totaled more than what was turned into the bookkeeper.

Recommendation

In order for the site to strengthen the internal controls over the cash receipting process the site should implement the following:

- Prenumbered receipts should always be issued immediately at the time money is turned in to the ASB bookkeeper.
- Money collected by teachers/advisors for any event should be turned in daily and should not be stored in classrooms. Under no circumstance, money should not be held by teachers/advisors over the weekends.
- At the time a deposit is made to the ASB bookkeeper, a reconciliation between the sub-receipts and money received should be performed. This will verify that all money collected by the teachers/advisors was turned in to the ASB bookkeeper.

Cash Disbursements

Observation

We discovered that five out of the ten disbursement requests were dated after the date on the invoice. This would indicate that items are being purchased prior to their approval.

Recommendation

The site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT). In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

Revenue Potentials

Observation

We discovered revenue potential forms are on file, but with only preliminary "potential" income reported. The current form used does not provide a section for an analysis of the actual results of the fundraiser.

Recommendation

The site should change the current form in use to provide a section to track the actual results of the fundraiser. 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 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.

Master Ticket Log

Observation

A master ticket log is not being utilized to account for all tickets on hand and used during the year.

Recommendation

A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. The log should be used in conjunction with a ticket sales recap form.

Budgeting

Observation

The student body organization at the site does not incorporate a budget into their control procedures as suggested in the *Associated Student Body Accounting Manual*, *Fraud Prevention Guide*, and *Desk Reference* published by FCMAT.

Recommendation

The manual suggests preparing budgets to control and monitor the financial activities of the student body organizations. The ASB should prepare a budget at the beginning of the school year. Some aspects that the Department of Education highlights are:

- Updates will be necessary to the budget as circumstances change; the budgeting procedures are an ongoing process.

- The preliminary budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.
- The budget should be compared regularly to the actual financial activities of the organizations. One reason for this is to ensure that no organization enters into a deficit spending situation during the year.

Inventory

Observation

During our audit, we discovered the site does not perform an inventory count for concession stand items and PE clothes available for sale. Without inventory tracking, it is impossible for the site to determine that all items purchased for resale were accounted for.

Recommendation

According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* published by FCMAT, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

DIXIELAND ELEMENTARY SCHOOL – ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

As reported in the previous year's management letter, the intactness and timeliness of deposits could not be determined. We were still unable to determine the intactness and timeliness of the deposits in the current year. We audited the October 21, 2013 bank deposit of \$4,744. However, the class rosters (sub-receipts) for that deposit totaled \$5,388 which does not agree to the bank deposit. Additionally, the funds collected were for the period of September 30 through October 11, but the class rosters are dated March 13, 2014.

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 to document when the money was turned in, how much money, and by which students. One copy of each receipt should be turned in to the ASB bookkeeper with the cash. The bookkeeper should reconcile receipts back to the deposit made to determine the accuracy of the cash count sheet and the actual money turned in.

Governing Board
Madera Unified School District

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

Vannink, Trine, Day & Co, LLP

Fresno, California
November 20, 2014