

**MADERA UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015**

# MADERA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***

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## 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, 2015, 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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, 2015, and the respective changes in financial position 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, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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, and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 66 through 69, respectively, 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 19, 2015, 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 19, 2015



**MADERA UNIFIED  
SCHOOL DISTRICT**  
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**SUPERINTENDENT:**  
**Edward C. González**

## MADERA UNIFIED SCHOOL DISTRICT

### Management Discussion and Analysis 2014-15

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, 2015.

### 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 2014-15

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

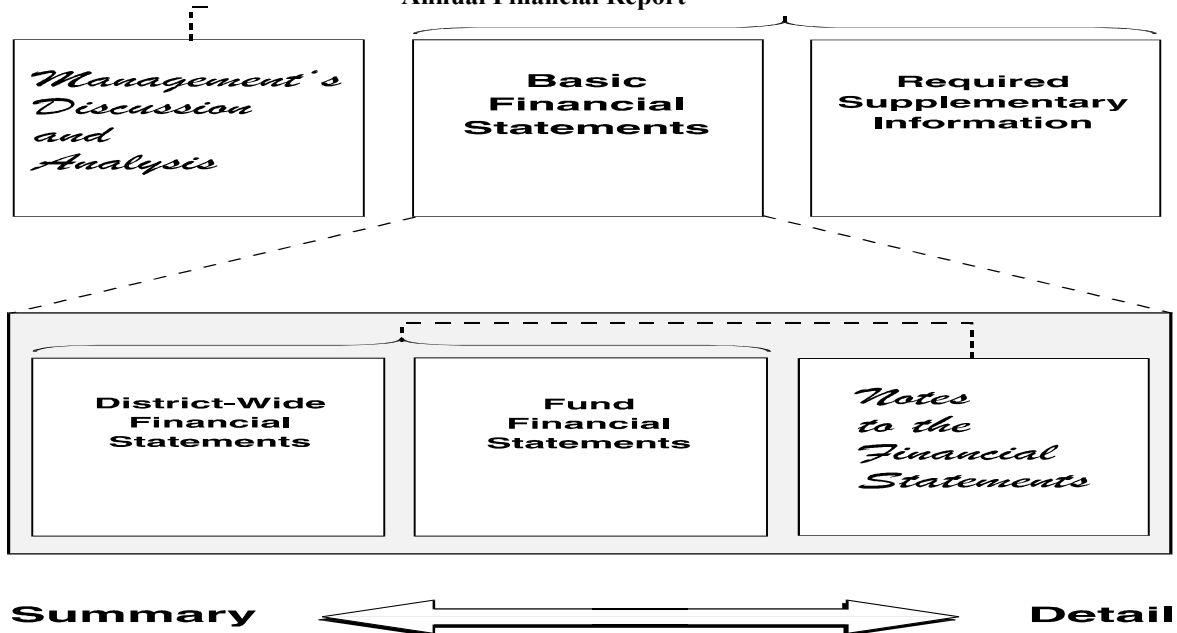


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

**Figure A-2. Major Features of the District-wide and Fund Financial Statements**

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

# **MADERA UNIFIED SCHOOL DISTRICT**

## **Management Discussion and Analysis 2014-15**

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

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2014-15

- **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 \$56.2 million on June 30, 2015, increasing by \$6.8 million (13.8 percent). (See Table A-1.)

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

	Governmental Activities		
	2015	Restated 2014	Change
<b>Assets</b>			
Current and Other Assets	\$ 103.2	\$ 101.1	\$ 2.1
Capital Assets	195.9	194.0	1.9
<b>Total Assets</b>	<u>299.1</u>	<u>295.1</u>	<u>4.0</u>
<b>Deferred Outflows of Resources</b>	<u>9.3</u>	<u>7.8</u>	<u>1.5</u>
<b>Liabilities</b>			
Long-Term Obligations Outstanding	98.2	99.8	(1.6)
Other Liabilities	15.6	17.0	(1.4)
Net Pension Liability	109.4	136.7	(27.3)
<b>Total Liabilities</b>	<u>223.2</u>	<u>253.5</u>	<u>(30.3)</u>
<b>Deferred Inflows of Resources</b>	<u>29.0</u>	<u>-</u>	<u>29.0</u>
<b>Net Position</b>			
Net Investment in Capital Assets	115.1	112.7	2.4
Restricted	19.7	23.4	(3.7)
Unrestricted	(78.6)	(86.7)	8.1
<b>Total Net Position</b>	<u>\$ 56.2</u>	<u>\$ 49.4</u>	<u>\$ 6.8</u>

**Changes in net position.** The District's total governmental revenues were \$206.3 million (see Table A-2). Property taxes and state aid formula accounted for most of the District's revenue, with federal and state unrestricted aid contributing about \$140.7 million and property taxes contributing about \$24.6 million. Another \$35.0 million came from categorical programs, \$2.6 million came from fees charged for services, and \$3.4 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$199.5 million. The District's expenses are predominantly related to educating and caring for students (80%). The purely administrative activities of the District accounted for just 5% of the total cost.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2014-15

Total revenues surpassed expenses, increasing net position \$6.8 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		
	2015	2014	Change
<b>Revenues</b>			
General Revenues:			
Federal and State Aid Formula	\$ 140.7	\$ 117.2	\$ 23.5
Property Taxes	24.6	24.9	(0.3)
Other	3.4	1.4	2.0
Program Revenues:			
Charges for Services	2.6	3.6	(1.0)
Categorical Programs	35.0	36.0	(1.0)
<b>Total Revenues</b>	<u>206.3</u>	<u>183.1</u>	<u>23.2</u>
<b>Expenses</b>			
Instruction Related	134.6	120.4	14.2
Pupil Services	25.7	23.6	2.1
General Administration	10.2	8.2	2.0
Plant Services	19.3	15.6	3.7
Other	9.7	8.8	0.9
<b>Total Expenses</b>	<u>199.5</u>	<u>176.6</u>	<u>22.9</u>
<b>Increase in Net Position</b>	<u><b>\$ 6.8</b></u>	<u><b>\$ 6.5</b></u>	<u><b>\$ 0.3</b></u>

### GOVERNMENTAL ACTIVITIES

The District strives to uphold its fiduciary duties by protecting and preserving the fiscal prosperity of the District. Driven by adhering to the Madera Unified mission statement of establishing a financially sound and effective organization, this will play a pivotal role in creating a safe and orderly learning environment that will yield the highest student achievement. Our goal is long-term stability to ensure our focus stays true to providing a quality education and facilities for students.

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.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2014-15

**Table A-3**  
**Net Cost of Governmental Activities**  
(in millions of dollars)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$ 134.6	\$ 120.4	\$ 112.8	\$ 100.8
Student Transportation	6.5	6.2	6.5	6.2
Food Services	11.3	10.8	0.7	0.5
All Other Pupil Services	7.9	6.6	6.9	5.7
General Administration	10.2	8.2	9.2	7.0
Plant Services	19.3	15.6	18.9	15.2
Other	9.7	8.8	6.9	1.7
<b>Total</b>	<b>\$ 199.5</b>	<b>\$ 176.6</b>	<b>\$ 161.9</b>	<b>\$ 137.1</b>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$87.6 million which was an increase of \$3.5 million over the prior year. The primary reasons for the increase were:

- The decrease in the General Fund Balance of \$4.6 million is due primarily to a transfer out of \$11.1 million to the Special Reserve Capital Outlay Fund for future facilities needs.
- The capital project funds increased by \$8.6 million due to a General Fund contribution for future facilities needs.
- The debt service funds remained fairly stable.
- The special revenue funds decreased by \$0.4 million. The cafeteria fund decreased by about \$0.7 million due to purchasing more products under contract.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The following highlights stem from the “Four Pillars” of the 2012-2015 Madera Unified Strategic Plan that serve as the building blocks of our professional practices to ensure success for all students.

#### Equitable Access to Rigorous High-Level Programs

- All students have access to challenging, on-standard teaching with a wide variety of courses to provide a quality education and co-curricular programs for all students.

#### Data-Driven Professional Learning & Collaboration

- Our District has a data-driven, continuous improvement planning process model. School staff uses frequent and timely formative assessments to monitor and adjust teaching practices.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2014-15

### Safe and Healthy Environments for Learning & Work

- District wide culture and support for students and staff are an important part of our District. The District employees are caring professionals who are empowered and prepared to keep students engaged.

### Strong Relationships with Families & Community

- Relationships with our parents and community through shared responsibility for student success. We strive for proactive communication with all partners.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. 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 implemented to reflect estimates.

The District budgeted a decrease in General Fund balance of approximately \$6.7 million. Although revenues and transfers in were approximately \$3.4 million less than budgeted, expenditures and transfers out were approximately \$5.5 million less than budgeted, leaving the fund with a decrease of approximately \$4.6 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2015, the District had invested \$195.9 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices. (See Table A-4.) This amount represents a net increase of \$1.9 million or one percent over last year. Total accumulated depreciation for the year was \$85.1 million.

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

	Governmental Activities		Total Percentage Change
	2015	2014	
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	11.8	12.2	-3.3%
Construction in Progress	5.2	0.8	550.0%
Buildings	158.8	162.2	-2.1%
Furniture and Equipment	6.3	5.0	26.0%
<b>Total</b>	<b>\$ 195.9</b>	<b>\$ 194.0</b>	<b>1.0%</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2014-15

### LONG-TERM OBLIGATIONS OTHER THAN PENSIONS

At year-end the District had \$98.2 million long-term obligations other than pensions outstanding – a decrease of 1.6 percent from last year - as shown in Table A-5.

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

	Governmental Activities		Total
	2015	2014	Percentage Change
General Obligation Bonds	\$ 72.9	\$ 73.1	-0.3%
Certificates of Participation	15.9	16.7	-4.8%
Capital Leases Payable	4.5	5.1	-11.8%
Early Retirement	0.3	0.7	-57.1%
Compensated Absences	0.5	0.4	25.0%
Other Postemployment Benefits	4.0	3.7	8.1%
State Preschool Loan	0.1	0.1	0.0%
<b>Total</b>	<b>\$ 98.2</b>	<b>\$ 99.8</b>	<b>-1.6%</b>

The District's S&P bond rating as of the most recent bond issuance was "AA/A+". 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.

### NET PENSION LIABILITY (NPL)

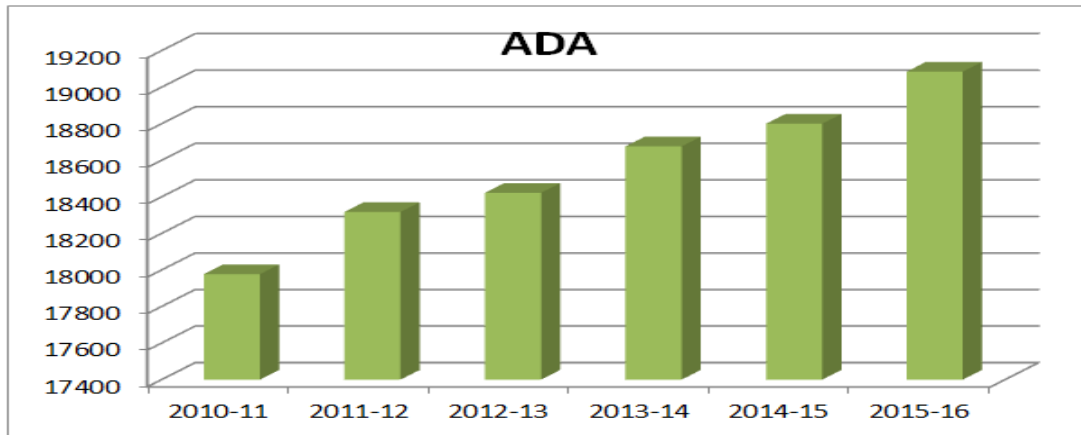
The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of \$128.9 million. As of June 30, 2015, the District reported Deferred Outflows from pension activities of \$9.4 million, Deferred Inflows from pension activities of \$29.0 million, and a Net Pension Liability of \$109.4 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

# MADERA UNIFIED SCHOOL DISTRICT

## Management Discussion and Analysis 2014-15

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District closely monitored the following that could impact financial stability in the future:



- The District had growth of 124 students this year and projects moderate or flat growth in the next few years. Changing enrollment trends are also being evaluated.
- The outcome of District's negotiations with the various unions cannot be predicted for the upcoming year.
- Facilities Master Plan, Capital Projects, and Equipment Replacement needs continue to be monitored.
- The on-going cost of funding Post Employment Benefits for retirees per GASB Statement No. 45.
- Implementation of Common Core, Instructional Materials & Professional Development needs.
- Technology infrastructure needs.
- Prop 30 sunset \$22 million.
- Increase in CalSTRS and CalPERS costs.
- K-3 class size reduction moving to 24:1 ratio's per LCFF.
- Maintain Board Policy of 15.5% reserves.
- The District's classroom teacher staffing ratio for the 2014-2015 school year was 25:1 in grades K-3 and 36:1 in grades 4-12.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 95,013,658
Receivables	7,545,522
Prepaid expenses	11,223
Stores inventories	620,742
Nondepreciable capital assets	18,924,073
Capital assets being depreciated	262,088,900
Accumulated depreciation	(85,106,319)
<b>Total Assets</b>	<b>299,097,799</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	9,360,158
<b>Total Deferred Outflows of Resources</b>	<b>9,360,158</b>
<b>LIABILITIES</b>	
Accounts payable	15,545,366
Unearned revenue	33,733
Current portion of long-term obligations other than pensions	5,175,705
Noncurrent portion of long-term obligations other than pensions	93,057,067
Aggregate net pension liability	109,365,544
<b>Total Liabilities</b>	<b>223,177,415</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between projected and actual earnings on pension plan investments	29,024,576
<b>Total Deferred Inflows of Resources</b>	<b>29,024,576</b>
<b>NET POSITION</b>	
Net investment in capital assets	115,136,757
Restricted for:	
Debt service	4,869,865
Capital projects	9,684,630
Educational programs	859,491
Other activities	4,309,338
Unrestricted	(78,604,115)
<b>Total Net Position</b>	<b>\$ 56,255,966</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 112,229,735	\$ 253,861	\$ 18,262,208
Instruction-related activities:			
Supervision of instruction	6,794,586	639	2,736,186
Instructional library, media, and technology	1,910,605	5,432	64,842
School site administration	13,609,736	22,746	374,219
Pupil services:			
Home-to-school transportation	6,534,876	18,738	8,329
Food services	11,323,841	425,224	10,169,304
All other pupil services	7,844,252	1,958	940,627
Administration:			
Data processing	2,743,944	22,997	10,689
All other administration	7,489,056	24,332	1,005,733
Plant services	19,285,914	17,034	377,332
Ancillary services	2,699,023	-	-
Community services	18,349	-	-
Interest on long-term obligations	4,768,012	-	-
Other outgo	2,230,468	1,798,212	1,012,303
<b>Total Governmental Activities</b>	<b>\$ 199,482,397</b>	<b>\$ 2,591,173</b>	<b>\$ 34,961,772</b>
General revenues and subventions:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Interagency revenues			
Special and extraordinary items			
Miscellaneous			
<b>Subtotal, General Revenues</b>			
<b>Change in Net Position</b>			
Net Position - Beginning, as restated			
Net Position - Ending			

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

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

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**Governmental  
Activities**

---

\$ (93,713,666)

(4,057,761)

(1,840,331)

(13,212,771)

(6,507,809)

(729,313)

(6,901,667)

(2,710,258)

(6,458,991)

(18,891,548)

(2,699,023)

(18,349)

(4,768,012)

580,047

---

(161,929,452)

---

20,502,894

4,120,177

681,763

140,726,298

454,999

398,014

5,885

1,878,791

---

168,768,821

---

6,839,369

49,416,597

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\$ 56,255,966

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# MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2015

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
<b>ASSETS</b>			
Deposits and investments	\$ 50,517,760	\$ 13,316,057	\$ 13,780,113
Receivables	5,250,490	-	-
Due from other funds	227,001	-	1,255,757
Prepaid expenditures	11,223	-	-
Stores inventories	401,262	-	-
<b>Total Assets</b>	<b>\$ 56,407,736</b>	<b>\$ 13,316,057</b>	<b>\$ 15,035,870</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 13,936,038	\$ -	\$ 1,242,497
Due to other funds	1,401,529	661,991	-
Unearned revenue	33,733	-	-
<b>Total Liabilities</b>	<b>15,371,300</b>	<b>661,991</b>	<b>1,242,497</b>
<b>Fund Balances:</b>			
Nonspendable	437,485	-	-
Restricted	597,262	12,654,066	-
Committed	-	-	-
Assigned	8,085,558	-	13,793,373
Unassigned	31,916,131	-	-
<b>Total Fund Balances</b>	<b>41,036,436</b>	<b>12,654,066</b>	<b>13,793,373</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 56,407,736</b>	<b>\$ 13,316,057</b>	<b>\$ 15,035,870</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 17,399,728	\$ 95,013,658
2,295,032	7,545,522
2,097,702	3,580,460
-	11,223
219,480	620,742
<u>\$ 22,011,942</u>	<u>\$ 106,771,605</u>

\$ 366,831	\$ 15,545,366
1,516,940	3,580,460
-	33,733
<u>1,883,771</u>	<u>19,159,559</u>

224,620	662,105
18,903,442	32,154,770
1,000,109	1,000,109
-	21,878,931
-	31,916,131
<u>20,128,171</u>	<u>87,612,046</u>
<u>\$ 22,011,942</u>	<u>\$ 106,771,605</u>

# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 87,612,046</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
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	\$ 281,012,973	
Accumulated depreciation is	<u>(85,106,319)</u>	
Net Capital Assets		195,906,654
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		9,360,158
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(29,024,576)
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	72,939,325	
Certificates of participation	15,875,000	
State preschool loan program	86,205	
Compensated absences (vacations)	454,534	
Early retirement programs	316,936	
Capital leases payable	4,523,433	
Other postemployment benefits	4,037,339	
Net pension liability	<u>109,365,544</u>	
Total Long-Term Obligations		<u>(207,598,316)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 56,255,966</u></b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 152,041,376	\$ -	\$ -
Federal sources	13,460,937	-	-
Other State sources	12,174,453	-	-
Other local sources	6,750,494	105,065	39,647
<b>Total Revenues</b>	<b>184,427,260</b>	<b>105,065</b>	<b>39,647</b>
<b>EXPENDITURES</b>			
Current			
Instruction	106,687,566	-	-
Instruction-related activities:			
Supervision of instruction	6,480,311	-	-
Instructional library, media and technology	1,896,520	-	-
School site administration	13,043,745	-	-
Pupil services:			
Home-to-school transportation	6,834,459	-	-
Food services	132,312	-	-
All other pupil services	7,759,263	-	-
Administration:			
Data processing	2,752,144	-	-
All other administration	6,907,285	-	-
Plant services	17,006,003	-	158,992
Facility acquisition and construction	298,197	-	2,213,580
Ancillary services	2,722,356	-	-
Community services	18,288	-	-
Other outgo	2,230,468	-	-
Debt service			
Principal	616,967	16,235,000	-
Interest and other	189,973	1,549,462	-
<b>Total Expenditures</b>	<b>175,575,857</b>	<b>17,784,462</b>	<b>2,372,572</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>8,851,403</b>	<b>(17,679,397)</b>	<b>(2,332,925)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	36,247	-	11,133,150
Other sources	-	17,784,462	-
Transfers out	(13,502,989)	(1,063,259)	-
<b>Net Financing Sources (Uses)</b>	<b>(13,466,742)</b>	<b>16,721,203</b>	<b>11,133,150</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,615,339)</b>	<b>(958,194)</b>	<b>8,800,225</b>
<b>Fund Balance - Beginning</b>	<b>45,651,775</b>	<b>13,612,260</b>	<b>4,993,148</b>
<b>Fund Balance - Ending</b>	<b>\$ 41,036,436</b>	<b>\$ 12,654,066</b>	<b>\$ 13,793,373</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 750,000	\$ 152,791,376
10,181,178	23,642,115
2,796,181	14,970,634
7,181,994	14,077,200
<u>20,909,353</u>	<u>205,481,325</u>
1,952,520	108,640,086
257,750	6,738,061
-	1,896,520
396,864	13,440,609
-	6,834,459
11,222,149	11,354,461
27,716	7,786,979
-	2,752,144
596,516	7,503,801
1,287,332	18,452,327
2,811,947	5,323,724
-	2,722,356
-	18,288
-	2,230,468
3,648,735	20,500,702
1,824,549	3,563,984
<u>24,026,078</u>	<u>219,758,969</u>
<u>(3,116,725)</u>	<u>(14,277,644)</u>
4,773,156	15,942,553
-	17,784,462
<u>(1,376,305)</u>	<u>(15,942,553)</u>
<u>3,396,851</u>	<u>17,784,462</u>
280,126	3,506,818
19,848,045	84,105,228
<u>\$ 20,128,171</u>	<u>\$ 87,612,046</u>



# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 3,506,818**  
**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 capital outlays exceed depreciation in the period.

Depreciation expense	\$ (6,241,418)	
Capital outlays	<u>8,169,856</u>	
Net Expense Adjustment		1,928,438

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (2,137)

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 \$377,218. Vacation earned was more than the amounts paid by \$28,565. 348,653

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (162,135)

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: (292,480)

Proceeds received from the sale of Bonds 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. (17,784,462)

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	18,980,000
Certificates of participation	870,000
State preschool loan program	33,735
Capital lease obligations	616,967

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, 2015

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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of bond premium

\$ 734,676

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.

(1,938,704)

**Change in Net Position of Governmental Activities**

\$ 6,839,369

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

# MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

	Scholarship Trusts	Agency Funds
<b>ASSETS</b>		
Deposits and investments	\$ 85,209	\$ 365,118
Accounts receivable	517	-
<b>Total Assets</b>	<b>85,726</b>	<b>\$ 365,118</b>
<b>LIABILITIES</b>		
Due to student groups		
Dixieland	-	\$ 7,860
Jefferson	-	27,345
King	-	16,285
La Vina	-	916
Washington	-	2,984
Madera High	-	132,908
Mountain Vista High	-	4,991
Desmond Middle	-	19,343
Madera South High	-	152,486
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 365,118</b>
<b>NET POSITION - RESERVED</b>		
Lorraine Thompson Scholarship	38,651	
Student Government Scholarship	2,120	
Albonico Scholarship	9,000	
E.L.L. Scholarship	125	
J. Desmond Scholarship	120	
Michael A. Wong Class 85' Scholarship	2,500	
Dave Schoettler Memorial Scholarship	1,040	
K. Roberts Memorial Scholarship	120	
J. Hinton Scholarship	500	
Science and Health Scholarship	44	
Binger Scholarship	2,348	
Cardenazz Roberts Scholarship	608	
Rodger Scott Memorial Scholarship	600	
School of Business Scholarship	500	
Joan Davis Scholarship	1,425	
Madera Lions Club	16,143	
Audrey Pool Scholarship	500	
F.F.A Memorial Fund Scholarship	2,382	
M. Wong Class of 85' Scholarship (MSHS)	1,000	
Juan Garcia Farmworker Scholarship	6,000	
<b>Total Net Position</b>	<b>\$ 85,726</b>	

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, 2015

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	<b>Scholarship Trusts</b>
<b>ADDITIONS</b>	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 830
Student Government Scholarship	439
Ray Pool Scholarship	1,000
Michael A Wong Class 85' Scholarship	2,500
Dave Schoettler Mem Scholarship	1,000
J. Hinton Scholarship	1,000
Science & Health Scholarship	1
Binger Scholarship	19
Cardenazz Roberts Scholarship	5
Madera Lions Club	132
Audrey Pool Scholarship	500
F.F.A Memorial Fund Scholarship	50
M. Wong Class of 85' Scholarship (MSHS)	1,000
Juan Garcia Farmworker Scholarship	6,000
Bob Prosperi Scholarship	1,000
<b>Total Additions</b>	<b>15,476</b>
<b>DEDUCTIONS</b>	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	2,500
Student Government Scholarship	500
Albonico Scholarship	100
Ray Pool Scholarship	6,000
Dave Schoettler Mem Scholarship	1,000
J. Hinton Scholarship	500
FCCLA Scholarship	296
Madera Lions Club	2,000
Audrey Pool Scholarship	5,000
M. Wong Class of 85' Scholarship (MSHS)	2,000
Bob Prosperi Scholarship	1,000
<b>Total Deductions</b>	<b>20,896</b>
<b>Change in Net Position</b>	<b>(5,420)</b>
<b>Net Position - Beginning</b>	<b>91,146</b>
<b>Net Position - Ending</b>	<b>\$ 85,726</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Madera Unified School District (the District) was established in 1966, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 and adults, as mandated by the State and/or Federal agencies. The District operates 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 two broad fund categories: governmental 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, 2015

---

### 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.

**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).

### 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, 2015

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**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.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

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

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

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

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

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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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.

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.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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**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, 2015, 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. As of June 30, 2015, the District had \$11,223 of prepaid expenditures for travel and conferences.

### **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.

### **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.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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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.

### **Premiums**

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Fund Balances - Governmental Funds

As of June 30, 2015, 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.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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### **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.

### **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 \$19,723,324 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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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.

### Change in Accounting Principles

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.

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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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- 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.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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 District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$128,867,827. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

### **New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 95,013,658
Fiduciary funds	450,327
Total Deposits and Investments	<u>\$ 95,463,985</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 407,901
Cash in revolving	30,140
Investments	95,025,944
Total Deposits and Investments	<u>\$ 95,463,985</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, 2015**

### 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>\$ 95,018,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,018,665</u>	<u>\$ -</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, \$124,490 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, 2015, consisted of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total	Scholarship Trusts
Federal Government				
Categorical aid	\$ 2,314,707	\$ 1,539,909	\$ 3,854,616	\$ -
State Government				
State sources	1,914,835	483,521	2,398,356	-
Local Sources	1,020,948	271,602	1,292,550	517
Total Fund Statements	<u>\$ 5,250,490</u>	<u>\$ 2,295,032</u>	<u>\$ 7,545,522</u>	<u>\$ 517</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, are as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	812,243	4,421,088	72,590	5,160,741
Total Capital Assets Not Being Depreciated	14,575,575	4,421,088	72,590	18,924,073
Capital Assets being depreciated				
Land improvements	15,872,966	368,345	-	16,241,311
Buildings and improvements	222,465,147	951,281	-	223,416,428
Furniture and equipment	20,788,322	2,501,732	858,893	22,431,161
Total Capital Assets Being Depreciated	259,126,435	3,821,358	858,893	262,088,900
Less Accumulated Depreciation				
Land improvements	3,654,767	726,608	-	4,381,375
Buildings and improvements	60,324,151	4,226,568	-	64,550,719
Furniture and equipment	15,742,739	1,288,242	856,756	16,174,225
Total Accumulated Depreciation	79,721,657	6,241,418	856,756	85,106,319
Governmental Activities Capital Assets, Net	<u>\$ 193,980,353</u>	<u>\$ 2,001,028</u>	<u>\$ 74,727</u>	<u>\$ 195,906,654</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,218,039
School Administration	99,442
Pupil Transportation	656,492
Food Services	39,198
Data Processing Services	313,276
Plant Maintenance and Operations	914,971
Total Depreciation Expenses Governmental Activities	<u>\$ 6,241,418</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 227,001	\$ 1,401,529
Building	-	661,991
Special Reserve Capital Outlay	1,255,757	-
Total Major Governmental Funds	<u>1,482,758</u>	<u>2,063,520</u>
Non-Major Governmental Funds		
Adult	103,205	1,718
Child Development	27	200,322
Cafeteria	38,177	6,090
Deferred Maintenance	1,294,302	1,308,780
Capital Facilities	-	30
County School Facilities	661,991	-
Total Non-Major Governmental Funds	<u>2,097,702</u>	<u>1,516,940</u>
Total All Governmental Funds	<u>\$ 3,580,460</u>	<u>\$ 3,580,460</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The General Fund owes the Deferred Maintenance Fund for project and maintenance expenses.	\$ 1,275,461
The General Fund owes the Deferred Maintenance Fund for Dixieland's pump repair.	18,841
The General Fund owes the Adult Education Fund for an employee's salary.	103,047
The General Fund owes the Adult Education Fund for adjustments to indirect costs.	158
The General Fund owes the Child Development Fund for adjustments to indirect costs.	27
The General Fund owes the Cafeteria Fund for miscellaneous expenses.	3,995
The Adult Education Fund owes the General Fund for adjustments to indirect costs.	1,591
The Adult Education Fund owes the General Fund for adjustments to workers' compensation.	127
The Child Development Fund owes the General Fund for a temporary loan.	200,000
The Child Development Fund owes the General Fund for adjustments to workers' compensation.	140
The Child Development Fund owes the General Fund for adjustments to indirect costs.	182
The Cafeteria Fund owes the General Fund for indirect costs.	5,388
The Cafeteria Fund owes the General Fund for adjustments to workers compensation.	702
The Deferred Maintenance Fund owes the General Fund to reduce the interfund transfer in.	18,841
The Deferred Maintenance Fund owes the Cafeteria Fund for construction projects costs.	34,182
The Deferred Maintenance Fund owes the Special Reserve Capital Outlay Fund for construction project costs.	1,255,757
The Capital Facilities Fund owes the General Fund for an adjustment to SUI.	30
The Building Fund owes the County School Facilities Fund for construction project costs.	661,991
Total	<u>\$ 3,580,460</u>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### 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, 2015, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for future school construction needs.	\$ 11,133,150
The General Fund transferred to the Cafeteria Fund to clear bad debt allowances.	2,988
The General Fund transferred to the Adult Education Fund for program operations.	600,000
The General Fund transferred to the Deferred Maintenance Fund for future maintenance project costs.	1,766,851
The Child Development Fund transferred to the Adult Education Fund for Small Fry Nursery School.	1,035
The Capital Facilities Fund transferred to the General Fund for the three percent developer fee.	36,247
The Capital Facilities Fund transferred to the COP Debt Service Fund for the debt service payment.	1,270,863
The Capital Facilities Fund transferred to the County School Facilities Fund for construction costs.	68,160
The Building Fund transferred to the County School Facilities Fund for bond construction costs.	1,063,259
Total	<u><u>\$ 15,942,553</u></u>

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consist of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,485,093	\$ 1,242,497	\$ 304,945	\$ 4,032,535
Deferred payroll	3,938,040	-	-	3,938,040
State principal apportionment	1,058,346	-	-	1,058,346
Health and welfare benefits	4,571,896	-	-	4,571,896
Accrued salaries	1,882,663	-	61,886	1,944,549
Total	<u><u>\$ 13,936,038</u></u>	<u><u>\$ 1,242,497</u></u>	<u><u>\$ 366,831</u></u>	<u><u>\$ 15,545,366</u></u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund
State categorical aid	\$ 10,396
Local sources	23,337
Total	<u>\$ 33,733</u>

### NOTE 8 - LONG-TERM OBLIGATIONS OTHER THAN PENSIONS

#### Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds-2005					
Current Interest Bonds	\$ 6,115,000	\$ -	\$ 4,665,000	\$ 1,450,000	\$ 1,450,000
Capital Appreciation Bonds	21,092,776	1,136,870	-	22,229,646	-
General obligation bonds-2006					
Current Interest Bonds	1,105,000	-	905,000	200,000	200,000
Capital Appreciation Bonds	2,809,148	218,393	-	3,027,541	-
General obligation bonds-2007					
Current Interest Bonds	15,180,000	-	13,055,000	2,125,000	1,005,000
Capital Appreciation Bonds	12,880,770	583,441	-	13,464,211	-
Premium	784,197	-	697,065	87,132	43,566
2012 Refunding general obligation bonds	12,475,000	-	355,000	12,120,000	405,000
Premium	488,944	-	37,611	451,333	37,611
2014 Refunding general obligation bonds	-	15,535,000	-	15,535,000	340,000
Premium	-	2,249,462	-	2,249,462	249,940
Certificates of participation-2014	16,745,000	-	870,000	15,875,000	580,000
State Preschool Revolving Loan	119,940	-	33,735	86,205	33,735
Compensated absences - net	425,969	28,565	-	454,534	-
Early retirement programs	694,154	97,959	475,177	316,936	186,702
Capital leases	5,140,400	-	616,967	4,523,433	644,151
Other postemployment benefits	3,744,859	2,871,677	2,579,197	4,037,339	-
Total	<u>\$ 99,801,157</u>	<u>\$ 22,721,367</u>	<u>\$ 24,289,752</u>	<u>\$ 98,232,772</u>	<u>\$ 5,175,705</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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.

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2015
<b>Current Interest Bonds:</b>							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2006-8/2017	3-5%	\$ 12,670,000	\$ 6,115,000	\$ -	\$ 4,665,000	\$ 1,450,000
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2018	3.75-4%	1,915,000	1,105,000	-	905,000	200,000
2006 - Series 2007 General Obligation Bonds							
3/1/07	8/2007-8/2023	4-5%	18,690,000	15,180,000	-	13,055,000	2,125,000
2012 - Refunding General Obligation Bonds							
2/22/12	8/2012-8/2028	2-3.625%	12,925,000	12,475,000	-	355,000	12,120,000
2014 - Refunding General Obligation Bonds							
12/3/14	8/2015-8/2023	3-5%	15,535,000	-	15,535,000	-	15,535,000
<b>Capital Appreciation Bonds:</b>							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2018-8/2029	4.77-5.23%	13,329,104	21,092,776	1,136,870	-	22,229,646
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,809,148	218,393	-	3,027,541
2006 - Series 2007 General Obligation Bonds							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	12,880,770	583,441	-	13,464,211
Total				<u>\$ 71,657,694</u>	<u>\$ 17,473,704</u>	<u>\$ 18,980,000</u>	<u>\$ 70,151,398</u>

### Debt Service Requirements to Maturity

2002 - Series 2005 Current Interest General Obligation Bonds:

Fiscal Year	Principal	Interest to Maturity	Total
2016	<u>\$ 1,450,000</u>	<u>\$ 72,500</u>	<u>\$ 1,522,500</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 200,000	\$ 8,000	\$ 208,000

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 1,005,000	\$ 96,200	\$ 1,101,200
2017	1,120,000	56,000	1,176,000
Total	\$ 2,125,000	\$ 152,200	\$ 2,277,200

### 2012 Refunding Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	640,000	383,269	1,023,269
2021-2025	4,340,000	1,517,645	5,857,645
2026-2029	5,200,000	491,988	5,691,988
Total	\$ 12,120,000	\$ 4,123,278	\$ 16,243,278

### 2014 Refunding Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 340,000	\$ 446,867	\$ 786,867
2017	1,770,000	711,200	2,481,200
2018	3,085,000	640,400	3,725,400
2019	1,535,000	517,000	2,052,000
2020	1,430,000	440,250	1,870,250
2021-2025	7,375,000	966,750	8,341,750
Total	\$ 15,535,000	\$ 3,722,467	\$ 19,257,467

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### 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 (accreted value) of the bonds including the maturity value of those bonds.

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2006 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019	\$ 1,925,000	\$ 1,671,285	\$ 280,000	\$ 235,424	\$ -	\$ -
2020-2024	11,015,000	8,200,073	1,610,000	1,178,283	-	-
2025-2029	13,735,000	7,835,140	2,255,000	1,307,554	13,705,000	8,426,144
2030-2032	9,455,000	4,523,148	760,000	306,280	9,845,000	5,038,067
Total	<u>\$ 36,130,000</u>	<u>\$ 22,229,646</u>	<u>\$ 4,905,000</u>	<u>\$ 3,027,541</u>	<u>\$ 23,550,000</u>	<u>\$ 13,464,211</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
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	680,000	518,967	1,198,967
2021-2025	3,795,000	2,180,166	5,975,166
2026-2030	4,585,000	1,387,397	5,972,397
2031-2034	4,350,000	428,603	4,778,603
Total	<u>\$ 15,875,000</u>	<u>\$ 6,834,038</u>	<u>\$ 22,709,038</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### 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
2016	\$ 33,735
2017	33,735
2018	18,735
Total	<u>\$ 86,205</u>

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2015, amounted to \$454,534.

### 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 \$316,936 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$475,177.

### 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, 2014	\$ 5,140,400
Payments	616,967
Balance, June 30, 2015	<u>\$ 4,523,433</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$ 800,776
2017	800,776
2018	438,853
2019	391,039
2020	391,039
2021-2025	1,955,194
2026-2027	586,557
Total	5,364,234
Less: Amount Representing Interest	840,801
Present Value of Minimum Lease Payments	<u>\$ 4,523,433</u>

### Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$2,721,883, and contributions made by the District during the year were \$2,362,632 (including the implicit rate subsidy factor of 1.1526). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$149,795 and \$(216,566), respectively, which resulted in an increase to the net OPEB obligation of \$292,480. As of June 30, 2015, the net OPEB obligation was \$4,037,339. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 5,140	\$ 30,140
Stores inventories	401,262	-	-	219,480	620,742
Prepaid expenditures	11,223	-	-	-	11,223
Total Nonspendable	437,485	-	-	224,620	662,105
<b>Restricted</b>					
Legally restricted programs	597,262	-	-	34,376	631,638
Childcare programs	-	-	-	227,853	227,853
Capital projects	-	12,654,066	-	9,684,630	22,338,696
Debt service	-	-	-	4,869,865	4,869,865
Food service	-	-	-	4,086,718	4,086,718
Total Restricted	597,262	12,654,066	-	18,903,442	32,154,770
<b>Committed</b>					
Adult education program	-	-	-	1,000,109	1,000,109
Total Committed	-	-	-	1,000,109	1,000,109
<b>Assigned</b>					
District safety program	56,002	-	-	-	56,002
Equipment replacement	445,769	-	-	-	445,769
Technology infrastructure	2,340,114	-	-	-	2,340,114
Instructional materials	3,375,085	-	-	-	3,375,085
Common core materials	1,439,581	-	-	-	1,439,581
Vacation accrual	429,007	-	-	-	429,007
Capital projects	-	-	13,793,373	-	13,793,373
Total Assigned	8,085,558	-	13,793,373	-	21,878,931
<b>Unassigned</b>					
Reserve for economic uncertainties	5,560,166	-	-	-	5,560,166
Remaining unassigned	26,355,965	-	-	-	26,355,965
Total Unassigned	31,916,131	-	-	-	31,916,131
<b>Total</b>	<b>\$ 41,036,436</b>	<b>\$ 12,654,066</b>	<b>\$ 13,793,373</b>	<b>\$ 20,128,171</b>	<b>\$ 87,612,046</b>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Classified salaries	\$ 22,049,403	\$ 22,634,028	\$ 584,625
Other outgo	\$ 1,578,718	\$ 1,634,003	\$ 55,285

### NOTE 11 - 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 1,500 active plan members.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Madera Unified Teachers Association (MUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$2,049,828 to the plan (excluding the implicit rate subsidy factor), all of which was used for current premiums (approximately 87 percent of total premiums). Plan members receiving benefits contributed approximately \$309,558, or approximately 13 percent of the total premiums.

#### Annual OPEB Cost and Net OPEB Obligation

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

Annual required contribution	\$ 2,721,883
Interest on net OPEB obligation	149,795
Adjustment to annual required contribution	(216,566)
Annual OPEB cost (expense)	2,655,112
Contributions made (includes implicit rate subsidy factor)	(2,362,632)
Increase in net OPEB obligation	292,480
Net OPEB obligation, beginning of year	3,744,859
Net OPEB obligation, end of year	<u>\$ 4,037,339</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
2015	\$ 2,655,112	\$ 2,362,632	88.98%	\$ 4,037,339
2014	2,659,168	2,431,677	91.45%	3,744,859
2013	2,867,459	2,581,485	90.03%	3,517,368

### 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 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%

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, 2015**

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### **Actuarial Methods and Assumptions**

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

In the July 1, 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, 2015, was 24 years.

### **NOTE 12 - 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, 2015, 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, 2015**

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### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 87,863,363	\$ 6,654,952	\$ 21,636,186	\$ 7,585,445
CalPERS	21,502,181	2,705,206	7,388,390	1,911,105
Total	<u>\$ 109,365,544</u>	<u>\$ 9,360,158</u>	<u>\$ 29,024,576</u>	<u>\$ 9,496,550</u>

The details of each plan are as follows:

#### **California State Teachers' Retirement System (CalSTRS)**

##### **Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

##### **Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$6,654,952.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 87,863,363
State's proportionate share of the net pension liability associated with the District	<u>53,055,692</u>
Total	<u><u>\$ 140,919,055</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1504 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$7,585,445. In addition, the District recognized revenue and pension expense of \$4,580,419 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,654,952	\$ -
Difference between projected and actual earnings on pension plan investments	-	21,636,186
Total	<u><u>\$ 6,654,952</u></u>	<u><u>\$ 21,636,186</u></u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 5,409,047
2017	5,409,047
2018	5,409,047
2019	5,409,046
Total	<u>\$ 21,636,186</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 136,956,004
Current discount rate (7.60%)	\$ 87,863,363
1% increase (8.60%)	\$ 46,929,022

### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$2,705,206.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,502,181. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1894 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,911,105. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,705,206	\$ -
Difference between projected and actual earnings on pension plan investments	-	7,388,390
Total	<u>\$ 2,705,206</u>	<u>\$ 7,388,390</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,847,098
2017	1,847,098
2018	1,847,098
2019	1,847,096
Total	<u>\$ 7,388,390</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 37,719,734
Current discount rate (7.50%)	\$ 21,502,181
1% increase (8.50%)	\$ 7,950,781

### 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 \$3,739,978 (5.679 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.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 14 - 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, 2015.

#### Litigation

The District is not currently a party to any legal proceedings.

#### 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, 2015, 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	\$ 145,000,000	2019
Future Elementary School	27,600,000	2017
Total	<u>\$ 172,600,000</u>	

### NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

During the year ended June 30, 2015, the District made payment of \$2,546,258 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2015, the District made payment of \$24,805,738 to CVT for health and welfare benefits.

### NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 178,284,424
Restatement - GASB Statement No. 68, Net Pension Liability	<u>(128,867,827)</u>
Net Position - Beginning as Restated	<u><u>\$ 49,416,597</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# MADERA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	<b>Budgeted Amounts</b>			<b>Variances - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 148,024,937	\$ 152,789,147	\$ 152,041,376	\$ (747,771)
Federal sources	11,755,061	16,067,512	13,460,937	(2,606,575)
Other State sources	6,358,339	8,733,966	8,434,475	(299,491)
Other local sources	5,294,445	6,524,150	6,750,494	226,344
<b>Total Revenues <sup>1</sup></b>	<b>171,432,782</b>	<b>184,114,775</b>	<b>180,687,282</b>	<b>(3,427,493)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	75,137,434	77,534,222	76,211,267	1,322,955
Classified salaries	20,305,029	22,049,403	22,634,028	(584,625)
Employee benefits	40,445,943	39,890,520	39,333,803	556,717
Books and supplies	11,018,349	15,618,021	12,546,337	3,071,684
Services and operating expenditures	12,900,559	17,029,696	15,596,408	1,433,288
Other outgo	75,637	1,578,718	1,634,003	(55,285)
Capital outlay	778,461	3,330,167	3,073,093	257,074
Debt service - principal	616,967	616,967	616,967	-
Debt service - interest	188,809	190,009	189,973	36
<b>Total Expenditures <sup>1</sup></b>	<b>161,467,188</b>	<b>177,837,723</b>	<b>171,835,879</b>	<b>6,001,844</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>9,965,594</b>	<b>6,277,052</b>	<b>8,851,403</b>	<b>2,574,351</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	20,000	20,000	36,247	16,247
Other sources	-	35,585	-	(35,585)
Transfers out	(15,493,381)	(12,994,381)	(13,502,989)	(508,608)
<b>Net Financing Sources (Uses)</b>	<b>(15,473,381)</b>	<b>(12,938,796)</b>	<b>(13,466,742)</b>	<b>(527,946)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,507,787)</b>	<b>(6,661,744)</b>	<b>(4,615,339)</b>	<b>2,046,405</b>
<b>Fund Balance - Beginning</b>	<b>45,651,775</b>	<b>45,651,775</b>	<b>45,651,775</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 40,143,988</b>	<b>\$ 38,990,031</b>	<b>\$ 41,036,436</b>	<b>\$ 2,046,405</b>

<sup>1</sup> 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, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
July 1, 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%

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

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	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability (asset)	<u>0.1504%</u>
District's proportionate share of the net pension liability (asset)	\$ 87,863,363
State's proportionate share of the net pension liability (asset) associated with the District	<u>53,055,692</u>
Total	<u><u>\$ 140,919,055</u></u>
District's covered - employee payroll	<u>\$ 68,012,364</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>129.19%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 <b>CalPERS</b>	
District's proportion of the net pension liability (asset)	<u>0.1894%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 21,502,181</u>
District's covered - employee payroll	<u>\$ 20,186,890</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>106.52%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

*Note* : In the future, as data become available, ten years of information will be presented.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 6,654,952
Contributions in relation to the contractually required contribution	<u>(6,654,952)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 74,943,153</u>
 Contributions as a percentage of covered - employee payroll	 <u>8.88%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 2,705,206
Contributions in relation to the contractually required contribution	<u>(2,705,206)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 22,981,956</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.771%</u>

*Note :* In the future, as data become available, ten years of information will be presented.

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***SUPPLEMENTARY INFORMATION***

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# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 67,701
Secondary Education	84.002	13978	61,337
Institutionalized Adults	84.002	13971	6,031
English Literacy and Civics Education	84.002A	14109	23,084
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	7,225,497
Title I - Part C, Migrant	84.011	14326	212,812
Title I - Part C, Migrant Summer	84.011	10005	61,718
Title I - Part G, Advanced Placement Fee Program	84.330B	14831	23,125
Title II - Part A, Improving Teacher Quality	84.367	14341	1,017,685
Title III - LEP	84.365	14346	459,478
Title IV- Part B, 21st Century Community Learning Centers Program	84.287	14349	2,569,586
Title X - McKinney-Vento Homeless Assistance	84.196	14332	268
Safe and Supportive Schools Programmatic Intervention	84.184	15164	270,062
Special Education Programs			
IDEA, Basic Local Assistance	84.027	13379	1,268,474
IDEA, Basic Local Assistance, Private School	84.027	10115	1,429
Subtotal Special Education Programs			<u>1,269,903</u>
Vocational Educational Programs			
Adult	84.048	14893	9,662
Technology Secondary Education	84.048	14894	233,797
Total U.S. Department of Education			<u>13,511,746</u>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	\$ 7,266,271
Basic Breakfast	10.553	13525	15,235
Especially Needy Breakfast	10.553	13526	1,905,754
Meals Supplements-Snack	10.555	13391	353,515
Food distribution-commodities	10.555	13391	557,294
Summer Food Program	10.559	13004	130,679
Subtotal Child Nutrition Cluster			10,228,748
Fresh Fruit and Vegetable Program	10.582	14968	341,910
Total U.S. Department of Agriculture			10,570,658
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Programs			
Medi-Cal Billing Option	93.778	10013	58,276
Medi-Cal Administrative Activities	93.778	10060	58,729
Subtotal Medicaid Programs			117,005
Total U.S. Department of Health and Human Services			117,005
Total Expenditures of Federal Awards			\$ 24,199,409

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

The Madera Unified School District was established in 1966 and consists of an area comprising approximately 400 square miles. The District operates 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
Maria Velarde-Garcia	President	2018
Robert E. Garibay	Clerk	2016
Ricardo Arredondo	Trustee	2016
Brent Fernandes	Trustee	2018
Al Galvez	Trustee	2018
Ed McIntyre	Trustee	2018
Ray G. Seibert	Trustee	2016

### ADMINISTRATION

Edward C. González	Superintendent
Victor Villar	Associate Superintendent
Sandon Schwartz	Assistant Superintendent, Administrative and Support Services
Kent Albertson	Chief of Human Resources Officer
Teri Bradshaw	Director of Fiscal Services
Elizabeth Runyon	Chief Academic Officer, Elementary
Todd Lile	Chief Academic Officer, Secondary
Babatunde Ilori	Director of Performance Management and Internal Communications

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	6,475.01	6,465.62	6,475.01	6,465.62
Fourth through sixth	4,498.12	4,492.27	4,498.12	4,492.27
Seventh and eighth	2,840.75	2,827.83	2,836.21	2,823.04
Ninth through twelfth	5,006.43	4,953.05	4,977.50	4,922.58
Total Regular ADA	18,820.31	18,738.77	18,786.84	18,703.51
Extended Year Special Education				
Ninth through twelfth	0.88	0.88	0.88	0.88
Total Extended Year Special Education	0.88	0.88	0.88	0.88
Community Day School				
Seventh and eighth	3.81	5.68	3.81	5.68
Ninth through twelfth	4.62	6.61	4.62	6.61
Total Community Day School	8.43	12.29	8.43	12.29
Total ADA	18,829.62	18,751.94	18,796.15	18,716.68

See accompanying note to supplementary information.



# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

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Grade Level	1986-1987	Reduced	2014-2015 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			58,680	180	N/A	Complied
Grade 8			58,680	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			66,836	180	N/A	Complied
Grade 10			66,836	180	N/A	Complied
Grade 11			66,836	180	N/A	Complied
Grade 12			67,036	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, 2015**

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There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 <sup>1</sup>	2015	2014 <sup>4</sup>	2013
GENERAL FUND				
Revenues and other sources <sup>3</sup>	\$ 208,483,679	\$ 180,723,529	\$ 159,177,712	\$ 144,878,961
Expenditures and other uses <sup>3</sup>	209,882,690	185,338,868	155,650,662	142,384,100
INCREASE/(DECREASE) IN FUND BALANCE	\$ (1,399,011)	\$ (4,615,339)	\$ 3,527,050	\$ 2,494,861
ENDING FUND BALANCE	\$ 39,637,425	\$ 41,036,436	\$ 45,651,775	\$ 42,124,725
AVAILABLE RESERVES <sup>2</sup>	\$ 32,920,933	\$ 31,916,131	\$ 33,519,308	\$ 32,414,776
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	15.7%	17.2%	21.5%	22.8%
LONG-TERM OBLIGATIONS	Not Available	\$ 207,598,316	\$ 236,468,915	\$ 102,146,560
AVERAGE DAILY ATTENDANCE AT P-2	19,072	18,796	18,675	18,422

The General Fund balance has decreased by \$1,088,289 over the past two years. The fiscal year 2015-2016 budget projects a decrease of \$1,399,011 (3.41 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2015-2016 fiscal year. Total long-term obligations have increased by \$105,451,756 over the past two years due to the recognition of a net pension liability totaling \$109,365,544 as required by the implementation of GASB Statement No. 68.

Average daily attendance has increased by 374 over the past two years. Additional growth of 276 ADA is anticipated during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

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

<sup>4</sup> The long-term obligations were restated for 2014 due to the implementation of GASB Statement No. 68.

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>ASSETS</b>			
Deposits and investments	\$ 661,829	\$ 69,420	\$ 2,533,947
Receivables	289,631	391,095	1,608,494
Due from other funds	103,205	27	38,176
Stores inventories	-	-	219,480
<b>Total Assets</b>	<b>\$ 1,054,665</b>	<b>\$ 460,542</b>	<b>\$ 4,400,097</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16,462	\$ 32,367	\$ 84,669
Due to other funds	1,718	200,322	6,090
<b>Total Liabilities</b>	<b>18,180</b>	<b>232,689</b>	<b>90,759</b>
<b>Fund Balances:</b>			
Nonspendable	2,000	-	222,620
Restricted	34,376	227,853	4,086,718
Committed	1,000,109	-	-
<b>Total Fund Balances</b>	<b>1,036,485</b>	<b>227,853</b>	<b>4,309,338</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,054,665</b>	<b>\$ 460,542</b>	<b>\$ 4,400,097</b>

See accompanying note to supplementary information.

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<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>
\$ 54,179	\$ 5,834,270	\$ 3,376,218	\$ 4,106,566	\$ 763,299
-	5,812	-	-	-
1,294,303	-	661,991	-	-
-	-	-	-	-
<u>\$ 1,348,482</u>	<u>\$ 5,840,082</u>	<u>\$ 4,038,209</u>	<u>\$ 4,106,566</u>	<u>\$ 763,299</u>
\$ 39,702	\$ -	\$ 193,631	\$ -	\$ -
1,308,780	30	-	-	-
<u>1,348,482</u>	<u>30</u>	<u>193,631</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	5,840,052	3,844,578	4,106,566	763,299
-	-	-	-	-
<u>-</u>	<u>5,840,052</u>	<u>3,844,578</u>	<u>4,106,566</u>	<u>763,299</u>
<u>\$ 1,348,482</u>	<u>\$ 5,840,082</u>	<u>\$ 4,038,209</u>	<u>\$ 4,106,566</u>	<u>\$ 763,299</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, Continued JUNE 30, 2015

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	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 17,399,728
Receivables	2,295,032
Due from other funds	2,097,702
Stores inventories	219,480
<b>Total Assets</b>	<b>\$ 22,011,942</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 366,831
Due to other funds	1,516,940
<b>Total Liabilities</b>	<b>1,883,771</b>
<b>Fund Balances:</b>	
Nonspendable	224,620
Restricted	18,903,442
Committed	1,000,109
<b>Total Fund Balances</b>	<b>20,128,171</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,011,942</b>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ -	\$ -	\$ -
Federal sources	167,815	-	10,013,363
Other State sources	22,709	1,926,487	803,592
Other local sources	341,248	85,769	541,050
<b>Total Revenues</b>	<b>531,772</b>	<b>2,012,256</b>	<b>11,358,005</b>
<b>EXPENDITURES</b>			
Current			
Instruction	538,914	1,413,606	-
Instruction-related activities:			
Supervision of instruction	-	257,750	-
School site administration	396,864	-	-
Pupil services:			
Food services	-	11,725	11,210,424
All other pupil services	-	27,716	-
Administration:			
All other administration	5,424	77,960	513,082
Plant services	91,684	33,891	314,378
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	33,735	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,032,886</b>	<b>1,856,383</b>	<b>12,037,884</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(501,114)</b>	<b>155,873</b>	<b>(679,879)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	601,035	-	2,988
Transfers out	-	(1,035)	-
<b>Net Financing Sources (Uses)</b>	<b>601,035</b>	<b>(1,035)</b>	<b>2,988</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>99,921</b>	<b>154,838</b>	<b>(676,891)</b>
<b>Fund Balance - Beginning</b>	<b>936,564</b>	<b>73,015</b>	<b>4,986,229</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,036,485</b>	<b>\$ 227,853</b>	<b>\$ 4,309,338</b>

See accompanying note to supplementary information.



<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>
\$ 750,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	43,393	-
2,743	2,089,568	29,722	4,088,613	3,281
752,743	2,089,568	29,722	4,132,006	3,281
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	50	-	-	-
822,379	-	25,000	-	-
1,697,415	-	1,114,532	-	-
-	-	-	2,745,000	870,000
-	-	-	1,174,635	649,914
2,519,794	50	1,139,532	3,919,635	1,519,914
(1,767,051)	2,089,518	(1,109,810)	212,371	(1,516,633)
1,766,851	-	1,131,419	-	1,270,863
-	(1,375,270)	-	-	-
1,766,851	(1,375,270)	1,131,419	-	1,270,863
(200)	714,248	21,609	212,371	(245,770)
200	5,125,804	3,822,969	3,894,195	1,009,069
\$ -	\$ 5,840,052	\$ 3,844,578	\$ 4,106,566	\$ 763,299

# 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, 2015

	Total Non-Major Governmental Funds
<b>REVENUES</b>	
Local Control Funding Formula	\$ 750,000
Federal sources	10,181,178
Other State sources	2,796,181
Other local sources	7,181,994
<b>Total Revenues</b>	<b>20,909,353</b>
<b>EXPENDITURES</b>	
Current	
Instruction	1,952,520
Instruction-related activities:	
Supervision of instruction	257,750
School site administration	396,864
Pupil services:	
Food services	11,222,149
All other pupil services	27,716
Administration:	
All other administration	596,516
Plant services	1,287,332
Facility acquisition and construction	2,811,947
Debt service	
Principal	3,648,735
Interest and other	1,824,549
<b>Total Expenditures</b>	<b>24,026,078</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,116,725)</b>
<b>Other Financing Sources (Uses)</b>	
Transfers in	4,773,156
Transfers out	(1,376,305)
<b>Net Financing Sources (Uses)</b>	<b>3,396,851</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>280,126</b>
<b>Fund Balance - Beginning</b>	<b>19,848,045</b>
<b>Fund Balance - Ending</b>	<b>\$ 20,128,171</b>

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of the fair market value of commodities which are not reported as revenues and expenditures in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 23,642,115
Reconciling items:		
Food distribution-commodities	10.555	557,294
Total Schedule of Expenditures of Federal Awards		<u>\$ 24,199,409</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, 2015**

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### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

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

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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, 2015, 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 19, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated November 19, 2015.

## **Madera Unified School District's Response to Finding**

Madera Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Madera Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 result 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 19, 2015



**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, 2015. 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, 2015.



## 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 19, 2015



## 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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, 2015.

### ***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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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.

### ***Basis for Qualified Opinion on Attendance Reporting***

As described in the accompanying Schedule of Findings and Questioned Costs, Madera Unified School District did not comply with requirements regarding Attendance Reporting as noted in Finding 2015-001. Compliance with such requirements is necessary, in our opinion, for Madera Unified School District to comply with the requirements applicable to that program.

### ***Unmodified Opinion on Each of the Other Programs***

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, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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:

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No (see below)
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program. The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools. The District does not have any

Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools. The District's Regional Occupational Centers or Programs are administered through the County Office of Education; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort. The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program. The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs. Additionally, we did not perform the recommended procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
November 19, 2015

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

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# MADERA UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2015

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### 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>84.367</u>	<u>Title II, Part A, Improving Teacher Quality</u>
<u>10.555, 10.553, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 725,982</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>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Attendance Reporting</u>

**MADERA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**MADERA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.



# MADERA UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance

**2015-001      10000**

### *Attendance Reporting*

#### **Criteria**

According to the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, the monthly site summaries used for summarizing attendance for the P-2 and Annual Attendance Reports should provide accurate information. In addition, districts are required to abide by all procedures approved by the California Department of Education (CDE) when the District applied for approval of its online attendance system.

#### **Condition**

During our audit of the attendance system at Madera High School South and Jefferson Middle School, we discovered the sites are not following the online attendance policies that were approved by the CDE. These policies require controls in place to ensure that any student, on any given day, that had only one period of attendance was actually present for that period or if the attendance was not reported correctly by the teacher.

In addition, the sites do not have a procedure in place to determine which teachers failed to take attendance for each period. Due to the negative based system of attendance, students could potentially receive 100 percent attendance if one teacher fails to mark a student absent for that one period. The procedure also requires documentation that a certificated employee of the District took attendance each period of every day.

#### **Effect**

Regarding the lack of identification and verification of students with only one period of attendance, we extrapolated the understated non-apportionment absences for regular attendance programs as 3.997 percent for grades 7-8 and 12.5 percent for grades 9-12. Based on our audit of the revised Second Period attendance report, the district properly increased the non-apportionment absences reported by the attendance system and recalculated the average daily attendance as follows:

	<u>Original</u>	<u>Revised</u>	<u>Change</u>	<u>Original</u>	<u>Revised</u>	<u>Change</u>
	<u>P-2</u>	<u>P-2</u>		<u>Annual</u>	<u>Annual</u>	
Line A-1:						
Grades 7-8	2,840.75	2,836.21	(4.54)	2,827.83	2,823.04	(4.79)
Grades 9-12	5,006.43	4,977.50	(28.93)	4,953.05	4,922.58	(30.47)

## **MADERA UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015**

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The total reduction of ADA at P-2 was 33.47 and the associated fiscal impact amounted to approximately \$251,200.

Regarding the lack of generating the "missing attendance" report, there is no questioned cost associated with this part of the finding due to the mitigating control of absence verification procedures performed by the attendance clerk.

#### **Cause**

The attendance secretaries are not printing the "students with one or more unverified period absences" report to verify if any students were marked absent for all periods except one. Also, they are not generating the "missing attendance" report from their online attendance system to determine which teachers have not taken attendance.

#### **Recommendation**

The attendance secretaries should be printing the "students with one or more unverified period absences" report every day, as well as generating the "missing attendance" report. Once the reports have been generated, the attendance secretaries will need to follow up accordingly on each of the reports. They will need to determine if any students were absent for all periods but one and then verify with the teacher, or parent, to confirm if the student was present for that period or if an all day absent code should be given. For any teacher that has not taken attendance for a period, the attendance secretaries need to contact those teachers to remind them to input their attendance. Both reports and related notations must be retained for audit purposes.

#### **Corrective Action Plan**

The District will work with the District's sites which take period attendance to ensure the days in which single and double "present" periods exist were not actually full day absences.

**MADERA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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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, 2015, 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 19, 2015, 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 Disbursements***

### **Observation**

When testing the disbursements, we noted that some disbursement approvals are still dated after the date of the invoice or reimbursement. This would indicate that items are being purchased prior to their approval. In addition, the disbursement approvals are not being signed by a student representative.

### **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. Also, disbursement approvals are required to have three signatures, Student Representative, club/ASB Advisor and Principal or Activities Director the key signature is that of the Student Representative; indicating that the students are involved in the approval process of expenditures.

### ***THOMAS JEFFERSON MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

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

### **Observation**

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

### **Recommendation**

Prenumbered receipts should be issued for all cash collections by teachers, 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.

### ***Cash Disbursements***

#### **Observation**

During our audit of cash disbursement procedures, we determined that internal controls over the disbursement process are not in place. We found that not all disbursement requests were dated before the date on the invoice. This would indicate that items are being purchased prior to their approval.

#### **Recommendation**

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. 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.

### ***Concession Stand Inventory***

#### **Observation**

During our audit of cash receipts, we found that some student clubs within the ASB organization do not have proper controls over concession stand inventory. Clubs are not maintaining records of concession stand sales for various school events or performing quarterly inventory counts.

#### **Recommendation**

A physical inventory should be taken quarterly under supervision of the club 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.

### ***Revenue Potentials***

#### **Observation**

During our audit, we found that revenue potential forms are not always prepared for fundraising activities. We also noted that the revenue potentials that were on file did not include a report on potential income. The report only includes the ending summary of the fundraiser.

#### **Recommendation**

The site should complete a revenue potential form for every fundraiser the clubs/site participate in and keep this form on file for future reference. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection

procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

***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 May 7, 2015, bank deposit of \$314.42, which did not include any supporting documentation for the cash that was included in the deposit the only supporting documentation were copies of the checks the site received in the mail.

**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.

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
November 19, 2015