

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
Marysville, California

FINANCIAL STATEMENTS
June 30, 2013

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

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MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

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MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marysville Joint Unified School District
Marysville, 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 Marysville Joint Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marysville Joint Unified School 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. 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 entity'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 entity'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 Marysville Joint Unified School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. The District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. 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 *Management's Discussion and Analysis* on pages 4 to 14 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Fund Progress on pages 46 and 47 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marysville Joint Unified School District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of Marysville Joint 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 Marysville Joint Unified School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name of the firm.

Crowe Horwath LLP

Sacramento, California
December 10, 2013



Management's Discussion and Analysis Concerning the 2012/2013 District Financial Statements

This memorandum will serve as Management's Discussion and Analysis of the Audited Financial Statements as per the Governmental Accounting Standards Board "GASB" Statement 34. Management's Discussion and Analysis is management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the board and the public. This reporting of the District's finances is similar to requirements for private industry.

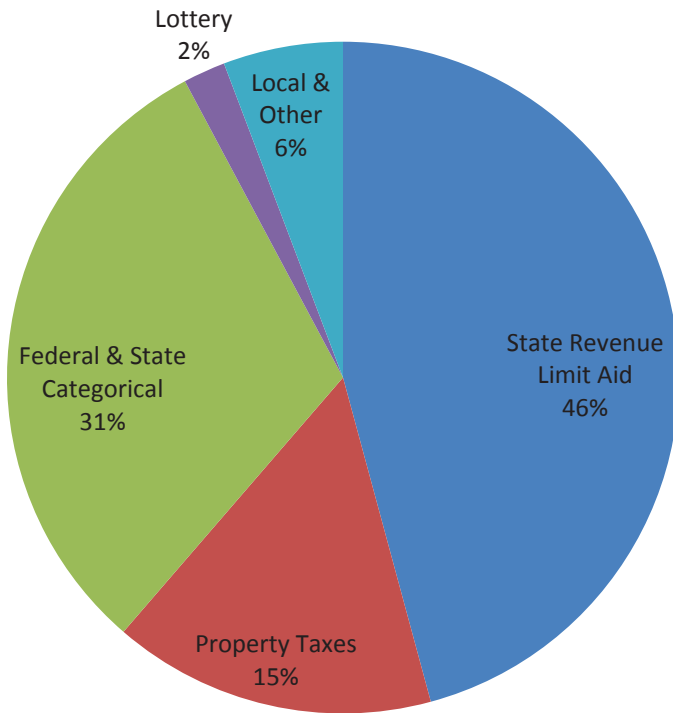
BRIEF DESCRIPTION OF FINANCIAL STATEMENTS – FINANCIAL HIGHLIGHTS

Based on the District's Third Interim Budget, the District would experience a decrease to the General Fund Unrestricted balance of \$582,468 during 2012/13. The actual 2012/13 General Fund Unrestricted balance decreased by \$286,422, a positive difference of \$296,046. Each budget cycle, the following general disclosure is made: "A level of "Budget Savings" is likely, but unpredictable, in any fiscal year. In addition, the District's unrestricted beginning General Fund balance could withstand a reasonable level of deficit spending for a limited period." Stated another way, if we cannot spend more than the appropriated amount, we will spend less. Hence, "Budget Savings."

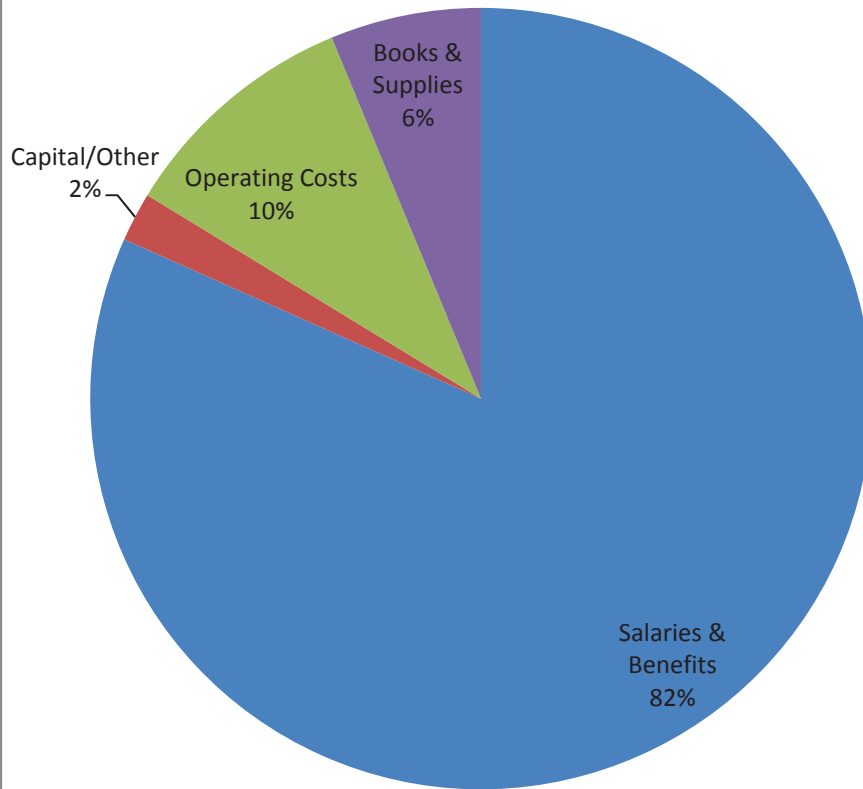
Total 2012/13 General Fund Total Unrestricted Expenditures	\$47,114,129
Negative Difference	\$ 286,422
Percentage	0.6079%

Sources of General Fund Revenue

Total: \$75,468,636



General Fund Expenditures by Object
Total: \$76,854,189



CONDENSED FINANCIAL STATEMENT

STATEMENT OF NET POSITION

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Assets		
Capital Assets	\$155,331,561	\$162,919,076
Other Assets	47,133,928	33,628,359
	-----	-----
Total Assets	202,465,489	196,547,435
	-----	-----
Deferred loss from debt refunding	-	1,261,170
Liabilities		
Long-term liabilities	95,271,770	102,515,359
Other liabilities	12,160,831	6,117,709
	-----	-----
Total Liabilities	107,432,601	108,633,068
	-----	-----
Net Position		
Net investment in capital assets	67,077,135	73,999,787
Restricted	24,421,658	16,333,481
Unrestricted	3,534,095	(1,157,731)
	-----	-----
Total net position	\$95,032,888	\$89,175,537
	=====	=====

STATEMENT OF ACTIVITIES – For the Year Ended

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Revenues		
Program Revenues	\$35,766,868	\$29,208,556
General Revenues	63,903,161	63,572,082
	-----	-----
Total Revenues	99,670,029	92,780,638
Expenses	97,076,265	97,943,399
	-----	-----
Change in Net Position	2,593,764	(5,162,761)
Net Position Beginning	92,439,124	95,032,888
Cumulative effect of change in accounting principle	-----	(694,590)
	-----	-----
Net Position Ending	\$95,032,888	\$89,175,537
	=====	=====

GASB 34

Commencing fiscal year 2002/03, the District is subject to additional reporting requirements under GASB (Governmental Accounting Standards Board) Statement #34 (“GASB 34”). GASB 34 continues a long standing trend seeking to alter public agency financial statements and reporting requirements to more closely conform to private industry.

The current State software package which produces a number of required forms and statements, also produces all of the required GASB 34 forms and statements.

OVERVIEW OF THE GASB 34 FINANCIAL STATEMENTS

The GASB 34 annual report consists of three parts—management’s discussion and analysis (this memo), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- 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 resources remain for future spending.
- *Governmental activities*—Most of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Governmental funds—Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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.

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 and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g. repaying its long-term debts) or to show that it is properly using certain revenues (e.g. Developer Fees).

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.

The two district-wide statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

COMPONENTS OF THE JUNE 30, 2013 ENDING GENERAL FUND BALANCE

Components of Fund Balance June 30, 2013	
Revolving Cash	\$30,000
Stores	\$273,483
Legally Restricted Balances	\$1,966,329
Designated for Economic Uncertainties, 3%	\$2,284,559
Other Assignments	\$1,100,701
Unassigned/Unappropriated	<u>\$5,375,632</u>
Total Ending General Fund Balance June 30, 2013	\$11,030,704

ANALYSIS OF THE EFFECT OF POSITIVE/DEFICIT SPENDING ON FUND BALANCE

Effect of Positive/Deficit Spending on Fund Balance	
Total Beginning General Fund Balance July 1, 2012	\$11,292,237
2012/13 General Fund "Actuals"	\$ (261,533)
Total Ending General Fund Balance June 30, 2013	\$11,030,704

INCREASE (DECREASE) IN THE GENERAL FUND BALANCE -

The District ended 2012/13 with a Net Change of \$(261,533) of which \$24,888 was "Restricted", and \$(286,422) was "Unrestricted". The fiscal year 2013/2014 Adopted Budget currently indicates a Net Change of \$(1,915,732), of which \$(557) is "Restricted", and \$(1,915,175) is "Unrestricted".

The District's increase, or decrease in the unrestricted ending fund balance can be attributed to numerous differences between budgeted and actual revenues and expenditures.

A level of "Budget Savings" is likely, but unpredictable, in any fiscal year.

Change in Fund Balance	
Fund Balance June 30, 2012	\$11,292,237
Fund Balance June 30, 2013	\$11,030,704
Change	\$(261,533)

The District has sufficient fund balances to withstand a reasonable level of “Unrestricted” deficit spending through the 2012/13 fiscal year, and for the two succeeding fiscal years.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN BUDGETED AMOUNTS AND THE ACTUAL REVENUE AND EXPENSE IN THE GENERAL FUND

Significant Variations are described as follows:

There was a change in the estimate for local property taxes vs. State aid received in the Revenue Limit. As property taxes increase, State aid decreases and vice versa.

Various budgeted accounts for salaries, benefits, supplies and operating costs were partially unexpended at year-end. The District updates these accounts, and related encumbrances, periodically during the fiscal year.

There were changes to estimated program contributions to restricted programs such as Special Education and Home-to-School Transportation.

LISTING OF CATEGORICAL PROGRAMS WITH RESTRICTED BALANCES

The District has received categorical funding in several programs not subject to deferred revenue. This results in a “Restricted Balance” and has the effect of reducing expenditures in the current year and increasing expenditures in subsequent year(s).

<u>Resource</u>	<u>Description</u>	<u>2012/13</u>	<u>2011/12</u>
5640	Medi-Cal Billing Option	\$ 191,783	\$ 135,180
6010	After School Education and Safety (ASES)	\$ 440	-----
6286	English Language Acquisition	\$ 30,948	\$ 60,818
6300	Lottery – Instructional Materials	\$ 442,020	\$ 442,799
6512	Mental Health Services	\$ 232,191	\$ 66,472
7090	Economic Impact Aid (EIA)	\$ 465,677	\$ 522,890
7091	EIA: Limited English Proficiency (LEP)	\$ 277,807	\$ 318,423
7400	Quality Education Investment Act	\$ 776	\$ 17,717
9010	Other Local	\$ 324,687	\$ 377,142
		-----	-----
Total		\$1,966,329	\$1,941,441

Significant carryover balances, such as listed above, can produce wide swings in Fund Balance and positive/deficit spending from year to year. However, when reviewed over several years, the net effect on Fund Balance may not be material. Similar carryover balances could occur in future years.

FLEXIBILITY TRANSFERS

The Legislature, in the last several State budgets, included unprecedented Flexibility Transfer provisions. Essentially, this allows the District to transfer funds from restricted State categorical programs, with certain exceptions, to the unrestricted General Fund. The Legislature has enabled Districts to use the flexibility transfer provisions starting in fiscal year 2008/09. The intent is to allow Districts to use otherwise restricted funds to “backfill” cuts to unrestricted budgets, principally the revenue limit. The transferred funds can be used for any educational purpose.

ANALYSIS OF FINANCIAL POSITION OF THE GENERAL FUND

Financial Condition of the General Fund

Marysville Joint Unified School District continues to maintain its solid financial condition. The following table summarizes operational fund financial statements:

Summary of Financial Operations – General Fund		
	June 30, 2012	June 30, 2013
Revenues	\$80,641,867	\$75,468,633
Expenditures	\$80,356,068	\$76,854,189
Other Financing Sources/Uses	\$ ---	\$ 1,124,020
Difference	\$ 285,799	\$ (261,533)

ANALYSIS OF BALANCES OF INDIVIDUAL FUNDS

CHARTER SCHOOLS SPECIAL REVENUE FUND #9

This fund accounts for the activity of the MCAA Charter School. Activity for MCAA has historically been included in the General Fund for reporting purposes. Effective July 1, 2012 State accounting standards have changed this accounting to Fund #9. This results in approximately \$2.4 million of revenue and expenditures included in Fund #9, instead of the General Fund.

ADULT EDUCATION FUND # 11

This fund accounts for the activity of Adult Education programs in the District. Revenue is generated by program attendance and is provided primarily by the State. State revenue for this fund was based on fiscal year 2007/08 due to current State requirements. Expenditures were related to instructional services, primarily salaries and benefits. Adult Education programs were closed by Board action effective June 30, 2012.

CHILD DEVELOPMENT FUND #12

This fund accounts for educational and other services related to younger children, before and after school services, and grant related activities. The primary revenue sources are State funds based on participation and Federal and State grants. Expenditures for related services are primarily salaries and benefits.

CAFETERIA SPECIAL REVENUE FUND #13

The District's Child Nutrition program is a part of the National School Lunch program. The District's program provides breakfasts, lunches and snacks at all District sites. A significant percentage of District students qualify for free and reduced price meals.

DEFERRED MAINTENANCE FUND #14

The Deferred Maintenance Fund is used to perform State approved major deferred maintenance within the District. The State has suspended this funding source for the fiscal years 2008/09 – 2014/15. The District intends to complete major maintenance projects based on the approved Five Year Plan, but only with available funding.

BUILDING FUND #21

The Building Fund is used to account for the proceeds of General Obligation Bonds issued in conjunction with Measures H and P. The Building Fund will also account for related project expenditures. The Measure H bonds, and Series A of Measure P bonds have been issued and the proceeds have been placed in this fund. Certain expenditures have been recorded for projects.

CAPITAL FACILITIES FUND #25

State law has authorized the collection of building fees since 1986 to assist school districts with the mitigation of facility costs related to enrollment growth. Our District has also entered into Agreements which generate additional fee revenue. This revenue source allows the District to pay for growth related expenditures which can include; portable classrooms at our sites, provide necessary furniture and equipment, purchase and develop school sites, school and classroom construction, and related expenditures.

COUNTY SCHOOL FACILITIES FUND #35

This fund is used to account for the receipt of State construction funds, either Modernization or New Construction. The District has received funds for New Construction and Modernization projects.

BOND INTEREST AND REDEMPTION FUND #51 and #52

The Bond Interest and Redemption Funds are used to account for tax collections, interest and other sources of revenue collected to retire General Obligation Bonds issued. In this regard, the Bond Interest and Redemption Funds are related to the Building Fund #21. However, while the Building Fund is used to account for the actual construction projects, the Bond Interest and Redemption Funds remain open for the life of the outstanding General Obligation Bonds.

The County Auditor's Office is responsible for tax collections necessary for debt repayment. The County Auditor sets the applicable tax rates, not the District. However, since the General Obligation Bonds are issued by the District, this fund is included with the District's financial statements.

DEBT SERVICE FUND #56

This fund is considered a "sinking fund", and is related to the District's QZAB debt issuances. The District is required to set aside funds sufficient to retire the QZAB issuances. This "set aside" is based on a set schedule.

FOUNDATION PRIVATE-PURPOSE TRUST FUND #73

This fund is related to donations used for Scholarships. This fund was also used for the MJUSD Education Foundation, since inception and during 2011/12. Historically, there is minimal activity in the Fund.

Comparative Schedule of Capital Assets (net of Accumulated Depreciation)

	June 30, 2012	June 30, 2013
Land	\$ 7,156,812	\$ 7,581,576
Buildings and Improvements	23,001,733	37,439,395
Equipment	2,815,030	2,452,157
Work-in-progress	90,865,038	79,718,260
Improvement of sites	31,492,948	35,727,688
	-----	-----
Totals	\$155,331,561	\$162,919,076

Comparative Schedule of Long Term Liabilities

	June 30, 2012	June 30, 2013
General Obligation Bonds	\$68,763,777	\$ 68,348,777
Accreted Interest	731,164	1,485,811
Certificates of Participation	16,080,000	21,731,099
Accreted Interest	-----	925,670
Qualified Zone Academy Bonds	4,451,939	4,451,939
Capitalized Lease Obligations	1,281,709	1,146,059
Unamortized premium on long-term liabilities	327,107	311,528
Other Post Employment Benefits	3,372,692	3,839,174
Compensated absences	263,382	275,302
	-----	-----
Totals	\$95,271,770	\$102,515,359

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 funds it receives. If there are any questions about this report, or there is a need for additional information, contact the Assistant Superintendent, Business Services, Marysville Joint Unified School District, 1919 B Street, Marysville, CA. 95901, 530-749-6115.

BASIC FINANCIAL STATEMENTS

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 17,313,784
Receivables	15,903,398
Prepaid expenditures	
Stores inventory	411,177
Non-depreciable capital assets (Note 4)	87,299,836
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>75,619,240</u>
Total assets	<u>196,547,435</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred loss from debt refunding (Note 5)	<u>1,261,170</u>
LIABILITIES	
Accounts payable	6,030,245
Unearned revenue	87,464
Long-term liabilities (Note 5):	
Due within one year	677,031
Due after one year	<u>101,838,328</u>
Total liabilities	<u>108,633,068</u>
NET POSITION	
Net invested in capital assets	73,999,787
Restricted (Note 6)	16,333,481
Unrestricted	<u>(1,157,731)</u>
Total net position	<u>\$ 89,175,537</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
Governmental activities (Note 4):					
Instruction	\$ 49,473,758	\$ 169,940	\$ 12,289,485	\$ 2,131,528	\$ (34,882,805)
Instruction-related services:					
Supervision of instruction	3,197,440	238	3,073,215	-	(123,987)
Instructional library, media and technology	398,873	95	285,552	-	(113,226)
School site administration	9,715,329	2,354	380,780	-	(9,332,195)
Pupil services:					
Home-to-school transportation	4,093,529	43,844	1,439,106	-	(2,610,579)
Food services	5,278,120	427,831	4,821,191	-	(29,098)
All other pupil services	4,271,923	2,063	2,570,089	-	(1,699,771)
General administration:					
Data processing	1,142,624	-	-	-	(1,142,624)
All other general administration	6,048,069	19,592	794,161	-	(5,234,316)
Plant services	8,441,301	2,195	30,730	-	(8,408,376)
Ancillary services	244,621	-	-	-	(244,621)
Enterprise activities	71,143	-	-	-	(71,143)
Other outgo	3,007,768	59,268	665,299	-	(2,283,201)
Interest on long-term liabilities	2,558,901	-	-	-	(2,558,901)
Total governmental activities	<u>\$ 97,943,399</u>	<u>\$ 727,420</u>	<u>\$ 26,349,608</u>	<u>\$ 2,131,528</u>	<u>(68,734,843)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					12,623,120
Taxes levied for debt service					4,030,884
Federal and state aid not restricted to specific purposes					44,966,170
Interest and investment earnings					153,778
Interagency revenues					804,392
Miscellaneous					993,738
Total general revenues					<u>63,572,082</u>
Change in net position					<u>(5,162,761)</u>
Net position, July 1, 2012, as previously reported					95,032,888
Cumulative effect of change in accounting principle					<u>(694,590)</u>
Net position, July 1, 2012, as restated					<u>94,338,298</u>
Net position, June 30, 2013					<u>\$ 89,175,537</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Debt Service Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 80,432	\$ 3,760,251	\$ 5,402,989	\$ -	\$ 4,245,995	\$ 13,489,667
Cash in revolving fund	30,000	-	-	-	1,660	31,660
Cash with Fiscal Agent	-	-	894	3,791,563	-	3,792,457
Receivables	13,861,598	-	12,143	-	2,029,657	15,903,398
Due from other funds	176,489	-	-	-	3,830	180,319
Stores inventory	<u>273,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,694</u>	<u>411,177</u>
Total assets	<u>\$ 14,422,002</u>	<u>\$ 3,760,251</u>	<u>\$ 5,416,026</u>	<u>\$ 3,791,563</u>	<u>\$ 6,418,836</u>	<u>\$ 33,808,678</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,300,004	\$ 618,183	\$ 16,013	\$ -	\$ 416,382	\$ 4,350,582
Unearned revenue	87,464	-	-	-	-	87,464
Due to other funds	<u>3,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,489</u>	<u>180,319</u>
Total liabilities	<u>3,391,298</u>	<u>618,183</u>	<u>16,013</u>	<u>-</u>	<u>592,871</u>	<u>4,618,365</u>
Fund balances:						
Nonspendable	303,483	-	-	-	139,354	442,837
Restricted	1,966,329	3,142,068	5,400,013	3,791,563	5,686,611	19,986,584
Assigned	1,100,701	-	-	-	-	1,100,701
Unassigned	<u>7,660,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,660,191</u>
Total fund balances	<u>11,030,704</u>	<u>3,142,068</u>	<u>5,400,013</u>	<u>3,791,563</u>	<u>5,825,965</u>	<u>29,190,313</u>
Total liabilities and fund balances	<u>\$ 14,422,002</u>	<u>\$ 3,760,251</u>	<u>\$ 5,416,026</u>	<u>\$ 3,791,563</u>	<u>\$ 6,418,836</u>	<u>\$ 33,808,678</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances - Governmental Funds \$ 29,190,313

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$219,156,558 and the accumulated depreciation is \$56,237,482 (Note 4). 162,919,076

In governmental funds, current debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is recognized in the period they are incurred. In the government-wide statements, the amount is deferred and amortized. The amount deferred was \$1,401,300 and the current year amortization is \$140,130 (Note 5). 1,261,170

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2013 consisted of (Note 5):

General Obligation Bonds	\$ (68,348,777)	
Accreted Interest	(2,411,481)	
Certificates of Participation	(21,731,099)	
Qualified Zone Academy Bonds	(4,451,939)	
Capitalized lease obligations	(1,146,059)	
Unamortized premium on long-term liabilities	(311,528)	
Other postemployment benefits (OPEB) (Note 8)	(3,839,174)	
Compensated absences	<u>(275,302)</u>	
		(102,515,359)

Unmatured interest is not recognized until it is due and, therefore, it is not accrued as a payable in governmental funds. (1,679,663)

Total net position - governmental activities \$ 89,175,537

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Debt Service Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
Revenues:						
Revenue limit sources:						
State apportionment	\$ 34,554,326	\$ -	\$ -	\$ -	\$ 1,650,740	\$ 36,205,066
Local sources	<u>11,737,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>471,444</u>	<u>12,208,729</u>
Total revenue limit	<u>46,291,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,122,184</u>	<u>48,413,795</u>
Federal sources	9,555,109	-	-	-	4,832,910	14,388,019
Other state sources	15,270,551	-	-	-	4,372,254	19,642,805
Other local sources	<u>4,351,365</u>	<u>13,200</u>	<u>941,408</u>	<u>5,571</u>	<u>4,619,763</u>	<u>9,931,307</u>
Total revenues	<u>75,468,636</u>	<u>13,200</u>	<u>941,408</u>	<u>5,571</u>	<u>15,947,111</u>	<u>92,375,926</u>
Expenditures:						
Certificated salaries	34,484,544	-	-	-	1,745,581	36,230,125
Classified salaries	12,856,411	-	355,490	-	2,660,563	15,872,464
Employee benefits	15,433,961	-	146,375	-	1,748,830	17,329,166
Books and supplies	4,797,146	175,173	11,585	-	2,325,572	7,309,476
Contract services and operating expenditures	7,722,262	26,403	1,476,607	-	374,789	9,600,061
Capital outlay	166,570	10,809,819	1,932,791	-	237,524	13,146,704
Other outgo	1,199,604	-	-	-	-	1,199,604
Debt service:						
Principal retirement	135,650	-	12,725,000	-	415,000	13,275,650
Interest	<u>58,041</u>	<u>-</u>	<u>136,069</u>	<u>-</u>	<u>3,156,776</u>	<u>3,350,886</u>
Total expenditures	<u>76,854,189</u>	<u>11,011,395</u>	<u>16,783,917</u>	<u>-</u>	<u>12,664,635</u>	<u>117,314,136</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,385,553)</u>	<u>(10,998,195)</u>	<u>(15,842,509)</u>	<u>5,571</u>	<u>3,282,476</u>	<u>(24,938,210)</u>
Other financing sources (uses):						
Operating transfers in	702,244	2,113,469	11,615	404,722	-	3,232,050
Operating transfers out	(11,615)	-	(404,722)	-	(2,815,713)	(3,232,050)
Proceeds from issuance of long-term debt	433,391	-	17,942,708	-	-	18,376,099
Other financing uses	<u>-</u>	<u>-</u>	<u>(1,401,300)</u>	<u>-</u>	<u>-</u>	<u>(1,401,300)</u>
Total other financing sources (uses)	<u>1,124,020</u>	<u>2,113,469</u>	<u>16,148,301</u>	<u>404,722</u>	<u>(2,815,713)</u>	<u>16,974,799</u>
Change in fund balances	(261,533)	(8,884,726)	305,792	410,293	466,763	(7,963,411)
Fund balances, July 1, 2012	<u>11,292,237</u>	<u>12,026,794</u>	<u>5,094,221</u>	<u>3,381,270</u>	<u>5,359,202</u>	<u>37,153,724</u>
Fund balances, June 30, 2013	<u>\$ 11,030,704</u>	<u>\$ 3,142,068</u>	<u>\$ 5,400,013</u>	<u>\$ 3,791,563</u>	<u>\$ 5,825,965</u>	<u>\$ 29,190,313</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Net change in fund balances - Total Governmental Funds \$ (7,963,411)

Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). \$ 11,883,881

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (4,296,366)

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities (Note 5). (18,376,099)

In governmental funds, current debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is recognized in the period they are incurred. In the government-wide statements, the amount is deferred and amortized: 1,261,170

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5). 13,275,650

Debt issue premiums are recognized as revenues in the period they are incurred. In government-wide statements, issue premiums are amortized over the life of the debt (Note 5). 15,579

Accreted interest is an expense that is not recognized in the governmental funds (Note 5). (1,680,317)

Interest on long-term liabilities is recognized in the period that it becomes due. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 1,195,554

In the statement of activities, expenses related to compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5). (478,402) 2,800,650

Change in net position of governmental activities \$ (5,162,761)

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

TRUST AND AGENCY FUNDS

June 30, 2013

	<u>Trust Fund</u> <u>Scholarship</u> <u>Trust</u> <u>Fund</u>	<u>Agency</u> <u>Funds</u> <u>Student</u> <u>Body</u> <u>Funds</u>	<u>Total</u>
ASSETS			
Cash in County Treasury (Note 2)	\$ 267,521	\$ -	\$ 267,521
Cash on hand and in banks (Note 2)	-	377,808	377,808
Receivables	586	-	586
Stores inventory	<u>-</u>	<u>10,365</u>	<u>10,365</u>
Total assets	<u>268,107</u>	<u>388,173</u>	<u>656,280</u>
LIABILITIES			
Due to student groups	<u>-</u>	<u>388,173</u>	<u>388,173</u>
NET POSITION			
Restricted (Note 6)	<u>\$ 268,107</u>	<u>\$ -</u>	<u>\$ 268,107</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	Scholarship Trust Fund
Revenues:	
Other local sources	<u>\$ 5,873</u>
Expenses:	
Other outgo	<u> 10,365</u>
Change in fund balance	(4,492)
Net position, July 1, 2012	<u> 272,599</u>
Net position, June 30, 2013	<u><u>\$ 268,107</u></u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marysville Joint Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District has determined the following represent component units:

The District and the Marysville Joint Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended by GASB Statement No. 39 criteria:

A - Accountability:

1. The Corporation's Board of Directors was appointed by the District's Board of Trustees.
2. The Corporation has no employees. The District's Assistant Superintendent of Business Services functions as the agent of the Corporation and does not receive additional compensation for work performed in this capacity.
3. The District's Board exercises significant influence over operations of the Corporation as the District is the sole lessee of all facilities owned by the Corporation.
4. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
5. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

A - Accountability: (Continued)

6. The District's lease payments are the sole revenue source of the Corporation.
7. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

B - Scope of Public Service:

The Corporation was formed for the sole purpose of financially assisting the District. The Corporation was formed to provide financing assistance to the District for construction, rehabilitation and acquisition of major capital facilities to support the student population.

C - Financial Presentation:

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The basic financial statements present the Corporation's financial activity within the Capital Facilities Fund.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Codification Section (GASB Cod. Sec.) N50.118-.121.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of the respective function. Interest on general long-term liabilities are considered indirect expenses and are reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

1. General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2. Building Fund:

The Building Fund is used to account for resources used for the acquisition or construction of capital facilities by the District.

3. Capital Facilities Fund:

The Capital Facilities Fund is used to account for resources used for the acquisition or construction of capital facilities by the District.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Major Funds (Continued)

4. Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This includes the Charter Schools, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

The County School Facilities Fund is used to account for resources used for the acquisition or construction of capital facilities by the District.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This includes the Bond Interest and Redemption and Debt Service for Blended Component Units Funds.

The Scholarship Trust Fund is a Trust Fund used to account for amounts held by the District as Trustee, to be used to provide scholarships to students of the District.

Student Body Funds are used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in Student Body Funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables

Receivables are made up principally of amounts due from the State of California for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2013.

Stores Inventory

Inventories in the General, Student Body and Cafeteria Funds are valued at average cost and consist mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired, with an original cost of \$15,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

Compensated Absences

Compensated absences totaling \$275,302 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues are state programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service repayments represents the portion of net position which the District plans to expend on debt repayment. The restriction for scholarships represents the portion of net position to be used to provide financial assistance to students of the District. It is the District's policy to use restricted net position first, when allowable expenditures are incurred.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2013, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2013, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Yuba bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for employee salaries and benefits, purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March, 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's 2013 beginning net position was restated by \$694,590 because bond issuance costs were no longer capitalized. In addition, the District recorded a deferred outflow due to the loss on refunding of debt of \$1,261,170.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fundbased reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2013 consisted of the following:

	Governmental <u>Activities</u>	Fiduciary <u>Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 13,489,667	267,521
Deposits:		
Cash on hand and in banks	-	377,808
Revolving cash fund	31,660	-
Investments:		
Cash with Fiscal Agent	<u>3,792,457</u>	<u>-</u>
Total	<u>\$ 17,313,784</u>	<u>\$ 645,329</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Yuba County Treasury. The County pools these funds with those of school districts and other agencies in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

In accordance with applicable state laws, the Yuba County Treasurer may invest in derivative securities. However, at June 30, 2013, the Yuba County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk - Deposits

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts were \$409,468 and the bank balance were \$437,762. The total uninsured bank balances at June 30, 2013 were \$85,500.

Investments

The Cash with Fiscal Agent represents debt proceeds that have been set aside in the Debt Service Fund for the repayment of the Qualified Zone Academy Bond and other long-term liabilities. These amounts are held by a third party custodian in the District's name.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General Fund	\$ 176,489	\$ 3,830
Non-Major Fund:		
Charter School Fund	807	111,832
Adult Education Fund	2,891	30,358
Child Development Fund	<u>132</u>	<u>34,299</u>
Totals	<u>\$ 180,319</u>	<u>\$ 180,319</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2012-2013 fiscal year were as follows:

Transfer from the General Fund to the Capital Facilities Fund for the purchase of capital assets.	\$ 11,615
Transfer from the Charter School Fund to the General Fund for indirect support.	378,392
Transfer from the Capital Facilities Fund to the Debt Service Fund for annual QZAB payment.	404,722
Transfer from the Child Development Fund to the General Fund for indirect support.	90,922
Transfer from the Cafeteria Fund to the General Fund for indirect support.	232,930
Transfer from the County Schools Facilities Fund to the Building Fund for OSPC reimbursements and project expenditures.	<u>2,113,469</u>
	<u>\$ 3,232,050</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions and Transfers	Deductions and Transfers	Balance June 30, 2013
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 7,156,812	\$ 424,764	\$ -	\$ 7,581,576
Work-in-process	90,865,038	11,459,117	(22,605,895)	79,718,260
Depreciable:				
Buildings	61,092,521	17,656,855	(66,974)	78,682,402
Site improvements	39,416,425	4,620,664	-	44,037,089
Equipment	<u>9,016,552</u>	<u>328,376</u>	<u>(207,697)</u>	<u>9,137,231</u>
Totals, at cost	<u>207,547,348</u>	<u>34,489,776</u>	<u>(22,880,566)</u>	<u>219,156,558</u>
Less accumulated depreciation:				
Buildings	(38,090,788)	(3,219,193)	66,974	(41,243,007)
Site improvements	(7,923,477)	(385,924)	-	(8,309,401)
Equipment	<u>(6,201,522)</u>	<u>(691,249)</u>	<u>207,697</u>	<u>(6,685,074)</u>
Total accumulated depreciation	<u>(52,215,787)</u>	<u>(4,296,366)</u>	<u>274,671</u>	<u>(56,237,482)</u>
Capital assets, net	<u>\$ 155,331,561</u>	<u>\$ 30,193,410</u>	<u>\$ (22,605,895)</u>	<u>\$ 162,919,076</u>

Depreciation expense was charged to governmental activities as follows:

School site administration	<u>\$ 4,296,366</u>
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5. LONG-TERM LIABILITIES

General Obligation Bonds

On August 30, 2006, the District issued \$18,000,000 of General Obligation Bonds to raise money for authorized school purposes. The bonds mature serially in varying amounts during the succeeding years through August 2031, with remaining interest rates ranging from 4.0% through 5.0%.

The following is a schedule of future payments on the 2006 Bonds, as of June 30, 2013:

Year Ended June 30,	Principal	Interest	Total
2014	\$ -	\$ 712,674	\$ 712,674
2015	200,000	707,674	907,674
2016	360,000	693,674	1,053,674
2017	390,000	674,924	1,064,924
2018	450,000	655,049	1,105,049
2019-2023	3,225,000	2,916,322	6,141,322
2024-2028	5,335,000	2,031,145	7,366,145
2029-2032	<u>6,370,000</u>	<u>600,406</u>	<u>6,970,406</u>
	<u>\$ 16,330,000</u>	<u>\$ 8,991,868</u>	<u>\$ 25,321,868</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On September 18, 2008, the District issued \$19,000,000 of General Obligation Bonds to raise money for authorized school purposes. The bonds mature serially in varying amounts during the succeeding years through August 2033, with interest rates ranging from 4.0% through 5.5%.

The following is a schedule of future payments on the 2008 Bonds, as of June 30, 2013:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 290,000	\$ 877,571	\$ 1,167,571
2015	195,000	863,071	1,058,071
2016	145,000	853,321	998,321
2017	215,000	846,071	1,061,071
2018	270,000	835,321	1,105,321
2019-2023	2,215,000	3,942,074	6,157,074
2024-2028	3,780,000	3,341,632	7,121,632
2029-2033	7,680,000	2,279,860	9,959,860
2034	<u>3,470,000</u>	<u>164,828</u>	<u>3,634,828</u>
	<u>\$ 18,260,000</u>	<u>\$ 14,003,749</u>	<u>\$ 32,263,749</u>

On August 5, 2009, the District issued \$34,433,777 of General Obligation Bonds to raise money for authorized school purposes. The bonds mature serially in varying amounts during the succeeding years through August 2036, with interest rates ranging from 5.0% through 5.50%.

The following is a schedule of future payments on the 2009 Bonds, as of June 30, 2013:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 245,000	\$ 1,556,156	\$ 1,801,156
2015	310,000	1,543,906	1,853,906
2016	400,000	1,528,406	1,928,406
2017	500,000	1,508,406	2,008,406
2018	610,000	1,483,406	2,093,406
2019-2023	4,533,718	6,788,231	11,321,949
2024-2028	4,230,295	6,076,531	10,306,826
2029-2033	13,790,000	4,240,919	18,030,919
2034-2038	<u>9,139,764</u>	<u>604,750</u>	<u>9,744,514</u>
	<u>\$ 33,758,777</u>	<u>\$ 25,330,711</u>	<u>\$ 59,089,488</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs)

On August 9, 2006, the District issued \$22,145,000 in Certificates of Participation for the purpose of providing funds for the District's 2006 capital projects. The District is required to make lease payments of principal and interest in conjunction with these Certificates of Participation. Semi-annual principal and interest payments are due each February and August 1, beginning in 2007 and ending in 2021. Interest rates range from 3.6% to 4.25%.

Scheduled payments for the 2006 COPs are as follows:

Year Ending <u>June 30,</u>	COPs <u>Payments</u>
2014	\$ 136,069
2015	136,069
2016	552,994
2017	551,394
2018	553,669
2019-2022	<u>2,205,703</u>
Total payments	4,135,898
Less amount representing interest	<u>(780,898)</u>
Net present value of minimum payments	<u>\$ 3,355,000</u>

On July 1, 2012, the District issued \$18,376,099 in Certificates of Participation for the purpose of implementing the District's 2012 capital projects and refunding \$12,275,000 of the District's 2006 Certificates of Participation. The District is required to make lease payments of principal and interest in conjunction with these Certificates of Participation. Semi-annual principal and interest payments are due each June and December 1, beginning in 2023 and ending in 2042. Interest rates range from 6.29% to 6.31%.

Scheduled payments for the 2012 COPs are as follows:

Year Ending <u>June 30,</u>	COPs <u>Payments</u>
2023	\$ 2,820,000
2024-2028	14,095,000
2029-2033	14,095,000
2034-2038	14,095,000
2039-2043	<u>11,280,000</u>
Total payments	56,385,000
Less amount representing interest	<u>(38,008,901)</u>
Net present value of minimum payments	<u>\$ 18,376,099</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs) (Continued)

The advance refundings resulted in the recognition of an accounting loss of \$1,401,300 for the year ended June 30, 2013. The District has not calculated the economic gain or loss as a result of this refunding, which is required by GASB Statement No. 7.

Qualified Zone Academy Bonds

In April 2004, the District entered into an agreement with Washington Mutual Community Development, Inc. for a \$4,451,939 QZAB Lease Purchase to finance renovation and modernization projects of the District's school buildings. The District is required to deposit \$404,722 each year commencing August 15, 2005 and ending August 15, 2014 to a QZAB sinking fund to accumulate resources to repay the \$4,451,939 QZAB principal in August 2014.

Capitalized Lease Obligation

In February 2010, the District entered into a capital lease purchase agreement with Capital One Bank, for \$1,535,000 to finance the purchase of District school buses. The District is required to make lease payments of principal and interest in conjunction with these capital leases through February 2020. The District has capitalized in the category of Equipment, \$1,535,000 of school buses, with an accumulated depreciation of \$460,500, as of June 30, 2013.

Scheduled payments for the capital lease are as follows:

Year Ending <u>June 30.</u>	Capital Lease <u>Payments</u>
2014	\$ 193,691
2015	193,691
2016	193,691
2017	193,691
2018	193,691
2019-2020	<u>387,382</u>
Total payments	1,355,837
Less amount representing interest	<u>(209,778)</u>
Net present value of minimum payments	<u>\$ 1,146,059</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 68,763,777	\$ -	\$ 415,000	\$ 68,348,777	\$ 535,000
Accreted Interest	731,164	754,647	-	1,485,811	-
Certificates of Participation	16,080,000	18,376,099	12,725,000	21,731,099	-
Accreted Interest	-	925,670	-	925,670	-
Qualified Zone Academy Bond	4,451,939	-	-	4,451,939	-
Capitalized lease obligations	1,281,709	-	135,650	1,146,059	142,031
Unamortized premium on long-term liabilities	327,107	-	15,579	311,528	-
Other postemployment benefits (Note 8)	3,372,692	1,641,220	1,174,738	3,839,174	-
Compensated absences	263,382	11,920	-	275,302	-
Total	<u>\$ 95,271,770</u>	<u>\$ 21,709,556</u>	<u>\$ 14,465,967</u>	<u>\$ 102,515,359</u>	<u>\$ 677,031</u>

Payments on the General Obligations Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation and Capitalized lease obligations are made from the General and Capital Facilities Funds. Premiums on General Obligation Bonds are amortized over the life of the related debt. Payments on compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

6. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2013:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 1,966,329
Restricted for special revenues	2,075,158
Restricted for capital projects	8,679,792
Restricted for debt service	<u>3,612,202</u>
Total restricted net position	<u>\$ 16,333,481</u>
	<u>Fiduciary Activities</u>
Restricted for scholarships	<u>\$ 268,107</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2013 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Debt Service Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 30,000	\$ -	\$ -	\$ -	\$ 1,660	\$ 31,660
Stores inventory	273,483	-	-	-	137,694	411,177
Subtotal nonspendable	303,483	-	-	-	139,354	442,837
Restricted:						
Unspent categorical revenues	1,966,329	-	-	-	-	1,966,329
Capital projects	-	3,142,068	5,400,013	-	138,605	8,680,686
Special revenue	-	-	-	-	1,935,804	1,935,804
Debt service	-	-	-	3,791,563	3,612,202	7,403,765
Subtotal restricted	1,966,329	3,142,068	5,400,013	3,791,563	5,686,611	19,986,584
Assigned:						
Mandated cost reimbursement	437,749	-	-	-	-	437,749
Technology	662,952	-	-	-	-	662,952
Subtotal assigned	1,100,701	-	-	-	-	1,100,701
Unassigned:						
Designated for economic uncertainty	2,284,559	-	-	-	-	2,284,559
Undesignated	5,375,632	-	-	-	-	5,375,632
Subtotal unassigned	7,660,191	-	-	-	-	7,660,191
Total fund balances	\$ 11,030,704	\$ 3,142,068	\$ 5,400,013	\$ 3,791,563	\$ 5,825,965	\$ 29,190,313

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$1,525,843, \$1,497,809 and \$1,567,405, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$2,870,593, \$2,908,761 and \$2,849,452, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Marysville Joint Unified School District's Retired Employees Healthcare Plan (REHP) is a single-employer defined benefit healthcare plan administered by the Marysville Joint Unified School District. REHP provides medical and dental insurance benefits to eligible retirees, their spouses and if applicable, dependents.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

The District issues a publicly available financial report that includes financial statements and required supplementary information for REHP. That report may be obtained by writing to Marysville Joint Unified School District, 1919 B Street, Marysville, California 95901, or by calling (530) 749-6125.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees. The required contribution is based on projected "pay-as-you-go" financing requirements. For the fiscal year ended June 30, 2013, the District's "pay-as-you-go" expenses were \$1,174,738.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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 Cod. Sec. P50.108-.109. 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 liabilities (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:

Annual required contribution	\$ 1,518,562
Interest on net OPEB obligation	168,635
Adjustment to annual required contribution	<u>(45,977)</u>
Annual OPEB cost (expense)	1,641,220
Contributions made	<u>(1,174,738)</u>
Increase in net OPEB obligation	466,482
Net OPEB obligation - beginning of year	<u>3,372,692</u>
Net OPEB obligation - end of year	<u>\$ 3,839,174</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,406,230	73.4%	\$ 2,882,328
June 30, 2012	\$ 1,662,678	70.5%	\$ 3,372,692
June 30, 2013	\$ 1,641,220	71.6%	\$ 3,839,174

Funded Status and Funding Progress

As of February 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$17.4 million, all of which is unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$47.4 million, and the ratio of the UAAL to the covered payroll was 36.7 percent. The OPEB plan is currently being operated as a pay-as-you-go plan.

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, 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

In the February 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent initially. An inflation rate of 3.0 percent was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 29 years.

9. JOINT POWERS AGREEMENT

The District is a member with other school districts in two Joint Powers Authorities, Schools Insurance Group (SIG) for workers' compensation and Northern California Schools Insurance Group (NCSIG) for property and liability. The following is a summary of financial information for SIG at June 30, 2013 and NCSIG at June 30, 2012 (the most recent information available):

	<u>SIG</u>	<u>NCSIG</u>
Total assets	\$ 80,723,208	\$ 7,278,667
Total liabilities	\$ 28,539,729	\$ 3,749,946
Total net position	\$ 52,183,479	\$ 3,528,721
Total revenues	\$ 78,964,495	\$ 6,841,820
Total expenses	\$ 79,076,550	\$ 6,065,031

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

10. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

As of June 30, 2013, the District had approximately \$8.1 million in outstanding commitments on ongoing construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2013

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 35,462,906	\$ 34,500,714	\$ 34,554,326	\$ 53,612
Local sources	<u>11,359,457</u>	<u>11,777,520</u>	<u>11,737,285</u>	<u>(40,235)</u>
Total revenue limit	<u>46,822,363</u>	<u>46,278,234</u>	<u>46,291,611</u>	<u>13,377</u>
Federal sources	8,720,674	10,769,252	9,555,109	(1,214,143)
Other state sources	13,850,267	15,310,910	15,270,551	(40,359)
Other local sources	<u>4,480,639</u>	<u>4,812,034</u>	<u>4,351,365</u>	<u>(460,669)</u>
Total revenues	<u>73,873,943</u>	<u>77,170,430</u>	<u>75,468,636</u>	<u>(1,701,794)</u>
Expenditures:				
Certificated salaries	33,477,506	35,051,413	34,484,544	566,869
Classified salaries	11,877,552	12,766,509	12,856,411	(89,902)
Employee benefits	15,334,891	15,738,420	15,433,961	304,459
Books and supplies	3,787,816	6,090,766	4,797,146	1,293,620
Contract services and operating expenditures	8,446,354	9,410,059	7,722,262	1,687,797
Capital outlay	135,300	364,467	166,570	197,897
Other outgo	663,284	1,389,980	1,199,604	190,376
Debt service:				
Principal retirement	274,437	135,650	135,650	-
Interest	<u>84,194</u>	<u>58,041</u>	<u>58,041</u>	<u>-</u>
Total expenditures	<u>74,081,334</u>	<u>81,005,305</u>	<u>76,854,189</u>	<u>4,151,116</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(207,391)</u>	<u>(3,834,875)</u>	<u>(1,385,553)</u>	<u>2,449,322</u>
Other financing sources (uses):				
Operating transfers in	1,127,750	1,135,635	702,244	(433,391)
Operating transfers out	(19,788)	(11,615)	(11,615)	-
Proceeds from issuance of long-term debt	<u>-</u>	<u>-</u>	<u>433,391</u>	<u>433,391</u>
Total other financing sources (uses):	<u>1,107,962</u>	<u>1,124,020</u>	<u>1,124,020</u>	<u>-</u>
Change in fund balance	900,571	(2,710,855)	(261,533)	2,449,322
Fund balance, July 1, 2012	<u>11,292,237</u>	<u>11,292,237</u>	<u>11,292,237</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 12,192,808</u>	<u>\$ 8,581,382</u>	<u>\$ 11,030,704</u>	<u>\$ 2,449,322</u>

See accompanying notes to required supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2013

Schedule of Funding Progress							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2011	March 25, 2010	\$ -	\$11.4 million	\$11.4 million	0%	\$48.8 million	23.4%
6/30/2012	February 1, 2012	\$ -	\$17.4 million	\$17.4 million	0%	\$45.4 million	38.4%
6/30/2013	February 1, 2012	\$ -	\$17.4 million	\$17.4 million	0%	\$47.4 million	36.7%

See accompanying notes to required supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excesses of expenditures over appropriations in individual funds for the year ended June 30, 2013 were as follows:

<u>General Fund</u>	<u>Excess Expenditure</u>
Classified salaries	\$ (89,902)

This excess is not in accordance with Education Code Section 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2013

	Charter Schools Special Revenue Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total
ASSETS									
Cash in County Treasury	\$ 86,478	\$ 170,075	\$ 99,410	\$ 119,687	\$ 24,226	\$ 139,774	\$ 2,173,441	\$ 1,432,904	\$ 4,245,995
Cash in revolving fund	-	-	-	1,660	-	-	-	-	1,660
Receivables	523,339	1,012	144,604	1,354,571	274	-	3,694	2,163	2,029,657
Due from other funds	807	2,891	132	-	-	-	-	-	3,830
Stores inventory	-	-	-	137,694	-	-	-	-	137,694
Total assets	<u>\$ 610,624</u>	<u>\$ 173,978</u>	<u>\$ 244,146</u>	<u>\$ 1,613,612</u>	<u>\$ 24,500</u>	<u>\$ 139,774</u>	<u>\$ 2,177,135</u>	<u>\$ 1,435,067</u>	<u>\$ 6,418,836</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 283,664	\$ 856	\$ 91,262	\$ 39,431	\$ -	\$ 1,169	\$ -	\$ -	\$ 416,382
Due to other funds	<u>111,832</u>	<u>-</u>	<u>30,358</u>	<u>34,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,489</u>
Total liabilities	<u>395,496</u>	<u>856</u>	<u>121,620</u>	<u>73,730</u>	<u>-</u>	<u>1,169</u>	<u>-</u>	<u>-</u>	<u>592,871</u>
Fund balances:									
Nonspendable	-	-	-	139,354	-	-	-	-	139,354
Restricted	<u>215,128</u>	<u>173,122</u>	<u>122,526</u>	<u>1,400,528</u>	<u>24,500</u>	<u>138,605</u>	<u>2,177,135</u>	<u>1,435,067</u>	<u>5,686,611</u>
Total fund balances:	<u>215,128</u>	<u>173,122</u>	<u>122,526</u>	<u>1,539,882</u>	<u>24,500</u>	<u>138,605</u>	<u>2,177,135</u>	<u>1,435,067</u>	<u>5,825,965</u>
Total liabilities and fund balances	<u>\$ 610,624</u>	<u>\$ 173,978</u>	<u>\$ 244,146</u>	<u>\$ 1,613,612</u>	<u>\$ 24,500</u>	<u>\$ 139,774</u>	<u>\$ 2,177,135</u>	<u>\$ 1,435,067</u>	<u>\$ 6,418,836</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2013

	Charter Schools Special Revenue Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total
Revenues:									
Revenue limit sources:									
State apportionment	\$ 1,650,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,650,740
Local sources	<u>471,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>471,444</u>
Total revenue limit	<u>2,122,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,122,184</u>
Federal sources	-	-	203,429	4,629,481	-	-	-	-	4,832,910
Other state sources	283,862	128,763	1,375,912	395,904	-	2,113,469	37,981	36,363	4,372,254
Other local sources	<u>79,437</u>	<u>3,186</u>	<u>81,634</u>	<u>457,822</u>	<u>2,584</u>	<u>18,059</u>	<u>2,045,887</u>	<u>1,931,154</u>	<u>4,619,763</u>
Total revenues	<u>2,485,483</u>	<u>131,949</u>	<u>1,660,975</u>	<u>5,483,207</u>	<u>2,584</u>	<u>2,131,528</u>	<u>2,083,868</u>	<u>1,967,517</u>	<u>15,947,111</u>
Expenditures:									
Certificated salaries	1,141,038	25,123	571,654	7,766	-	-	-	-	1,745,581
Classified salaries	121,656	38,066	473,896	2,026,945	-	-	-	-	2,660,563
Employee benefits	362,171	22,655	335,006	1,028,998	-	-	-	-	1,748,830
Books and supplies	75,618	650	165,662	2,083,642	-	-	-	-	2,325,572
Contract services and operating expenditures	191,480	35	32,482	150,792	-	-	-	-	374,789
Capital outlay	-	-	-	-	237,524	-	-	-	237,524
Debt service:									
Principal	-	-	-	-	-	-	205,000	210,000	415,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,595,370</u>	<u>1,561,406</u>	<u>3,156,776</u>
Total expenditures	<u>1,891,963</u>	<u>86,529</u>	<u>1,578,700</u>	<u>5,298,143</u>	<u>237,524</u>	<u>-</u>	<u>1,800,370</u>	<u>1,771,406</u>	<u>12,664,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>593,520</u>	<u>45,420</u>	<u>82,275</u>	<u>185,064</u>	<u>(234,940)</u>	<u>2,131,528</u>	<u>283,498</u>	<u>196,111</u>	<u>3,282,476</u>
Other financing sources (uses):									
Operating transfers out	<u>(378,392)</u>	<u>-</u>	<u>(90,922)</u>	<u>(232,930)</u>	<u>-</u>	<u>(2,113,469)</u>	<u>-</u>	<u>-</u>	<u>(2,815,713)</u>
Net change in fund balances	215,128	45,420	(8,647)	(47,866)	(234,940)	18,059	283,498	196,111	466,763
Fund balances, July 1, 2012	<u>-</u>	<u>127,702</u>	<u>131,173</u>	<u>1,587,748</u>	<u>259,440</u>	<u>120,546</u>	<u>1,893,637</u>	<u>1,238,956</u>	<u>5,359,202</u>
Fund balances, June 30, 2013	<u>\$ 215,128</u>	<u>\$ 173,122</u>	<u>\$ 122,526</u>	<u>\$ 1,539,882</u>	<u>\$ 24,500</u>	<u>\$ 138,605</u>	<u>\$ 2,177,135</u>	<u>\$ 1,435,067</u>	<u>\$ 5,825,965</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2013

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Student Body Funds				
<u>Marysville High School</u>				
Assets:				
Cash on hand and in banks	\$ 164,412	\$ 358,554	\$ 390,425	\$ 132,541
Inventory	<u>4,641</u>	<u>-</u>	<u>-</u>	<u>4,641</u>
Total assets	<u>\$ 169,053</u>	<u>\$ 358,554</u>	<u>\$ 390,425</u>	<u>\$ 137,182</u>
Liabilities:				
Due to student groups	<u>\$ 169,053</u>	<u>\$ 358,554</u>	<u>\$ 390,425</u>	<u>\$ 137,182</u>
<u>Lindhurst High School</u>				
Assets:				
Cash on hand and in banks	\$ 184,061	\$ 199,158	\$ 196,222	\$ 186,997
Inventory	<u>3,487</u>	<u>-</u>	<u>-</u>	<u>3,487</u>
Total assets	<u>\$ 187,548</u>	<u>\$ 199,158</u>	<u>\$ 196,222</u>	<u>\$ 190,484</u>
Liabilities:				
Due to student groups	<u>\$ 187,548</u>	<u>\$ 199,158</u>	<u>\$ 196,222</u>	<u>\$ 190,484</u>
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 58,566	\$ 145,729	\$ 146,025	\$ 58,270
Inventory	<u>2,237</u>	<u>-</u>	<u>-</u>	<u>2,237</u>
Total assets	<u>\$ 60,803</u>	<u>\$ 145,729</u>	<u>\$ 146,025</u>	<u>\$ 60,507</u>
Liabilities:				
Due to student groups	<u>\$ 60,803</u>	<u>\$ 145,729</u>	<u>\$ 146,025</u>	<u>\$ 60,507</u>

(Continued)

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2013

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Student Body Funds (Continued)				
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 407,039	\$ 703,441	\$ 732,672	\$ 377,808
Inventory	<u>10,365</u>	<u>-</u>	<u>-</u>	<u>10,365</u>
Total assets	<u>\$ 417,404</u>	<u>\$ 703,441</u>	<u>\$ 732,672</u>	<u>\$ 388,173</u>
Liabilities:				
Due to student groups	<u>\$ 417,404</u>	<u>\$ 703,441</u>	<u>\$ 732,672</u>	<u>\$ 388,173</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2013

Marysville Joint Unified School District was established in 1966. The District is a political subdivision of the State of California. The District currently operates 22 individual school sites. The District also operates Child Care/Preschool Programs in 9 locations, an adult education program and Marysville Charter Academy of the Arts. There were no changes in District boundaries for the year.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jeff Boom	President	November 2014
Frank Crawford	Vice President	November 2014
Bernard Rechs	Trustee Representative	November 2016
Jim Flurry	Clerk	November 2016
Anthony Dannible	Member	November 2016
Glen Harris	Member	November 2016
Philip Miller	Member	November 2014

ADMINISTRATION

Gay S. Todd
Superintendent/Secretary of the Board

Mark Allgire
Assistant Superintendent Business Services

Ramiro Carreon
Assistant Superintendent Personnel Services

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2013

	<u>Second Period</u> <u>Report</u>	<u>Annual</u> <u>Report</u>
<u>DISTRICT</u>		
Elementary:		
Kindergarten	810	812
First through Third	2,308	2,303
Fourth through Sixth	1,965	1,964
Seventh and Eighth	1,104	1,100
Home and Hospital	1	1
Special Education	192	196
Extended Year Program	<u>1</u>	<u>1</u>
Total Elementary	<u>6,381</u>	<u>6,377</u>
Secondary:		
Regular Classes	1,974	1,943
Continuation Education	182	174
Home and Hospital	1	1
Special Education	219	225
Extended Year Program	1	1
Total Secondary	<u>2,377</u>	<u>2,344</u>
Total District	<u><u>8,758</u></u>	<u><u>8,721</u></u>
<u>CHARTER SCHOOLS</u>		
Marysville Charter Academy of the Arts - Classroom-Based:		
Seventh and Eighth	152	151
Ninth through Twelfth	<u>203</u>	<u>200</u>
Subtotal Classroom-Based	<u>355</u>	<u>351</u>
Marysville Charter Academy of the Arts - Non-Classroom-Based:		
Seventh and Eighth	2	1
Ninth through Twelfth	<u>2</u>	<u>2</u>
Subtotal Non-Classroom Based	<u>4</u>	<u>3</u>
Subtotal Marysville Charter Academy of the Arts	<u>359</u>	<u>354</u>

See accompanying notes to supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2013

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
TRADITIONAL SCHOOLS							
Kindergarten	36,000	35,000	31,250	30,382	36,000	180	In Compliance
Grade 1	50,400	49,000	47,125	45,816	51,120	180	In Compliance
Grade 2	50,400	49,000	47,125	45,816	51,120	180	In Compliance
Grade 3	50,400	49,000	47,125	45,816	51,120	180	In Compliance
Grade 4	54,000	52,500	52,812	51,345	54,180	180	In Compliance
Grade 5	54,000	52,500	52,812	51,345	54,180	180	In Compliance
Grade 6	54,000	52,500	57,342	55,749	60,300	180	In Compliance
Grade 7	54,000	52,500	57,342	55,749	60,360	180	In Compliance
Grade 8	54,000	52,500	57,342	55,749	60,360	180	In Compliance
Grade 9	64,800	63,000	60,958	59,265	65,130	180	In Compliance
Grade 10	64,800	63,000	60,958	59,265	65,130	180	In Compliance
Grade 11	64,800	63,000	60,958	59,265	65,130	180	In Compliance
Grade 12	64,800	63,000	60,958	59,265	65,130	180	In Compliance
CHARTER SCHOOL							
<u>Marysville Charter Academy for the Arts</u>							
Grade 7	54,000	52,457	N/A	N/A	64,885	180	In Compliance
Grade 8	54,000	52,457	N/A	N/A	64,885	180	In Compliance
Grade 9	64,800	62,949	N/A	N/A	64,885	180	In Compliance
Grade 10	64,800	62,949	N/A	N/A	64,885	180	In Compliance
Grade 11	64,800	62,949	N/A	N/A	64,885	180	In Compliance
Grade 12	64,800	62,949	N/A	N/A	64,885	180	In Compliance

See accompanying notes to supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Title I, School Improvement Grant Cluster:		
84.377	NCLB: Title I, Part A, School Improvement Grant	15127	488,367
84.388	NCLB: ARRA Title I, Part A, School Improvement Grant	15021	<u>1,239,298</u>
	Subtotal Title I, School Improvement Grant Cluster		<u>1,727,665</u>
	Special Education Program:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	1,217,540
84.027A	Special Ed: IDEA Mental Health Services, Part B, Sec 611	14468	<u>37,684</u>
	Subtotal Special Education Program		<u>1,255,224</u>
	Title II, Part D, Enhancing Education Through Technology Program:		
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	14369	1,546
84.318X	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	14334	<u>7,380</u>
	Subtotal Title II, Part D, Enhancing Education Through Technology Program		<u>8,926</u>
84.367	NCLB: Title II Part A, Improving Teacher Quality	14341	1,273,383
84.010	NCLB: Title I, Part A, Basic Grants Low-Income	14329	3,774,472
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	49,499
84.365	NCLB: Title III, Limited English Proficiency	14346	353,081
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships	14512	365,262
84.330B	NCLB Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14838	2,132
84.060A	Title IX, Part A, Indian Education	10011	340,345
84.048	Carl D. Perkins Career and Technical Education: (Sec 131)	13924	<u>100,390</u>
	Total U.S. Department of Education		<u>9,250,379</u>

(Continued)

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	National School Lunch Program	23165	\$ 4,629,481
10.665	Forest Reserve Funds	23165	<u>22,285</u>
	Total U.S. Department of Agriculture		<u>4,651,766</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option	10013	224,543
93.596	Child Development: Federal Child Care, Center Based	13609	<u>203,429</u>
	Total U.S. Department of Health and Human Services		<u>427,972</u>
<u>U.S. Department of the Interior - Passed through California Department of Education</u>			
15.130	Johnson O'Malley: Indian Education Assistance	*	<u>1,299</u>
	Total Federal Awards		<u>\$ 14,331,416</u>

* District is unable to provide PCA number.

See accompanying notes to supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

There were no audit adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2013

UNAUDITED

	(Budget) <u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 75,229,422	\$ 76,604,271	\$ 81,022,906	\$ 82,520,227
Expenditures	77,145,154	76,854,189	80,737,107	80,757,885
Other uses and transfers out	<u>-</u>	<u>11,615</u>	<u>-</u>	<u>160,724</u>
Total outgo	<u>77,145,154</u>	<u>76,865,804</u>	<u>80,737,107</u>	<u>80,918,609</u>
Change in fund balance	<u>\$ (1,915,732)</u>	<u>\$ (261,533)</u>	<u>\$ 285,799</u>	<u>\$ 1,601,618</u>
Ending fund balance	<u>\$ 9,114,972</u>	<u>\$ 11,030,704</u>	<u>\$ 11,292,237</u>	<u>\$ 11,006,438</u>
Available reserves	<u>\$ 5,593,499</u>	<u>\$ 7,660,191</u>	<u>\$ 8,310,759</u>	<u>\$ 8,367,881</u>
Designated for economic uncertainties	<u>\$ 2,314,355</u>	<u>\$ 2,284,559</u>	<u>\$ 2,410,683</u>	<u>\$ 2,416,557</u>
Undesignated fund balance	<u>\$ 3,279,144</u>	<u>\$ 5,375,632</u>	<u>\$ 5,900,076</u>	<u>\$ 5,951,324</u>
Available reserves as percentages of total outgo	<u>7.25%</u>	<u>9.97%</u>	<u>10.3%</u>	<u>10.3%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 101,838,328</u>	<u>\$ 102,515,359</u>	<u>\$ 95,271,770</u>	<u>\$ 96,265,553</u>
Average daily attendance at P-2, excluding Adult	<u>8,884</u>	<u>8,758</u>	<u>8,808</u>	<u>8,851</u>

The General Fund fund balance has increased by \$1,625,884 over the past three years. The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses, for which the District is in compliance.

Total long-term liabilities have increased by \$6,249,806 over the past two years.

Average daily attendance has decreased by 93 over the past two years. The District anticipates an increase of 126 ADA for the 2013-2014 fiscal year.

See accompanying notes to supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2013

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Marysville Charter Academy for the Arts	Included as the Charter Schools Special Revenue Fund.
Paragon Collegiate Academy	Separate Report
Yuba Environmental Science Charter Academy	Separate Report

See accompanying notes to supplementary information.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance 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.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 14,388,019
93.778 Medi-Cal Billing Option not spent		<u>(56,603)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 14,331,416</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2013-2014 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2013, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
 Marysville Joint Unified School District
 Marysville, California

Report on Compliance with State Laws and Regulations

We have audited Marysville Joint Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer the program in the current year.

We did not perform any procedures related to Juvenile Court Schools because the District is not a County Office of Education.

We did not perform any procedures related to Class Size Reduction Program - Option Two and Districts with only one school serving K-3 because the District did not offer Option Two and has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Program - Before School because the District does not operate a program before school.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for charter schools and Determination of Funding for Nonclassroom-Based Instruction, for charter schools because the Nonclassroom ADA for the District's charter school was below the level that requires testing.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of Marysville Joint Unified School District. 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 the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Marysville Joint 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 with state laws and regulations. However, our audit does not provide a legal determination of Marysville Joint Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, Marysville Joint Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Marysville Joint Unified School District had not complied with the state laws and regulations.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
December 10, 2013

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

Board of Trustees
Marysville Joint Unified School District
Marysville, 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 Marysville Joint Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marysville Joint Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marysville Joint 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 Marysville Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Marysville Joint 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 entity'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 Marysville Joint Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
December 10, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Marysville Joint Unified School District
Marysville, California

Report on Compliance for Each Major Federal Program

We have audited Marysville Joint 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 Marysville Joint Unified School District's major federal programs for the year ended June 30, 2013. Marysville Joint 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 Marysville Joint 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 Marysville Joint 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 Marysville Joint Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marysville Joint 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, 2013.

Report on Internal Control Over Compliance

Management of Marysville Joint 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 Marysville Joint 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 Marysville Joint 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.

Purpose of this Report

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.


Crowe Horwath LLP

Sacramento, California
December 10, 2013

FINDINGS AND RECOMMENDATIONS

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

FEDERAL AWARDS

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	<u> X </u> No	

Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
84.377, 84.388	NCLB: Title I, School Improvement Grant Cluster (ARRA)
10.555	Child Nutrition, School Programs

Dollar threshold used to distinguish between Type A and Type B programs:	\$429,942
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Unmodified
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MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
No matters were reported.		