

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
Marysville, California

**FINANCIAL STATEMENTS**  
June 30, 2014

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2014**

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
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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, 2014, 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## 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 3 to 16 and the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Marysville Joint Unified School District's basic financial statements. The accompanying schedule of expenditure 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 supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure 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 basic 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 basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 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.

  
Crowe Horwath LLP



# Marysville Joint Unified School District

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## MANAGEMENT DISCUSSION AND ANALYSIS Fiscal Year Ending June 30, 2014

This annual report consists of three parts – Management’s Discussion & Analysis, the basic financial statements and required supplementary information.

The Management’s Discussion and Analysis consists of six sections:

- **Overview of the Financial Statements** – Serves as a guide to reading the financial statements provided in the sections following the Management’s Discussion & Analysis.
- **Financial Highlights** – Emphasizes significant actions implemented by the District, as well as significant factors affecting the District.
- **Financial Analysis of the District as a Whole** – Illustrates the District’s current, as well as, long-term assets and liabilities.
- **Financial Analysis of the District’s Funds** – Illustrates and compares the District’s primary activities.
- **Capital Asset and Debt Administration** – Illustrates the District’s investment in capital assets and its level of debt.
- **Economic Factors and Next Year’s Budget** – Illustrates issues that management sees as relevant to the future financial health of the District.

The following section provides an overview of the District’s financial activities for the fiscal year ending June 30, 2014. It is management’s view of the District’s financial condition. It should be read in conjunction with the independent auditor’s opinion, the basic financial statements, and the accompanying notes to those financial statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS

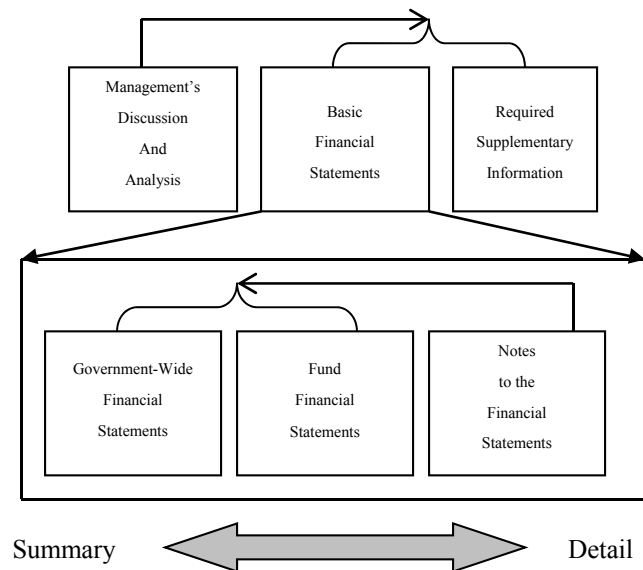
The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The fund financial statements can be further broken down into two types:

- *Governmental funds statements* illustrate how basic services (such as regular and special education) were financed in the short-term, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as trustee or agent for the benefit of others to whom the resources belong.

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



The chart on the next page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and content of each of the statements.



## Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements	
		Government Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as student activities monies
Required financial statements	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Change in Fund Balance	Statement of Fiduciary Net Position  Statement of Change in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **Government-Wide Statements**

The government-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 government-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. To assess the overall health of the District, additional non-financial factors (including the condition of the District's school buildings and other facilities) must be considered.

In the government-wide financial statements, the District's activities are reported as governmental activities. Most of the District's services are included here, such as regular education, special education, transportation and administration. Funding received from the State of California through general purpose funds, along with categorical and special funding received from the federal and state governments finance most of these activities.

## **Fund Financial Statements**

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

There are two types of funds that the District utilizes:

- *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 that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. This information does not encompass the additional long-term focus of the government-wide statements; therefore additional information at the bottom of the governmental funds statements is provided that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets in these funds are used only for their intended purposes and only by those to whom they belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance operations.

## FINANCIAL HIGHLIGHTS

- The financial statements present the District's fiscal activity of expenditures, revenues, assets, liabilities, beginning, and ending fund balances.
- Fiscal year starts in July and ends in June.
- The financial statements reflect the District's educational policy into sound instructional programs and delivery systems through the prudent allocation of financial resources.
- School finance is a complex and dynamic process that evolves daily. There are many variables, which impact a school district's finances – including student enrollment, student attendance, inflation, school facilities, state and federal funding, state and national economy.
- The District, along with other districts across California, implemented the Local Control Funding Formula (LCFF) that replaced the long-standing revenue limit general purpose funding mechanism.
  - The LCFF is intended to provide a funding mechanism that is simple and transparent while allowing local educational agencies (LEAs) maximum flexibility in allocating resources to meet local needs.
  - The funding basis under the LCFF shifts from a primarily Average Daily Attendance (ADA) driven model to one that places emphasis on the student population/demographics, as well as, the District's ADA.
  - Full implementation of the LCFF is anticipated to occur by 2020-21.
- The District's General Fund had revenues over expenditures in the amount of \$2.18 million (\$671,373 for the unrestricted General Fund).
- The District's unrestricted ending General Fund Balance was \$9.74 million.
- As of the California Longitudinal Pupil Achievement Data System (CALPADS) reporting date, October 2014, the District had 9,116 students whose activities that are reflected in the General Fund, and 377 students whose activities are reflected in the Charter School Fund.
- The General Fund average daily attendance (ADA), which much of the District's revenue is based, was 8,754.
- The General Funds ratio of attendance to CALPADS enrollment was approximately 96%.
- The District's General Fund collected \$12.4 million in property taxes. In comparison, during 2012/13 the District collected \$11.6 million. Due to State's local control funding formula structure, changes in property taxes does not affect the District's revenue; it does however, affect the District's monthly cash resources.
- The District's General Fund ending cash balance was \$4.28 million.
- Among the amounts expended for capital assets, the District incurred expenditures from the District's Special Revenue/Reserve Funds (non-general/charter funds) for the following major capital projects:
  - Marysville High School Science & Math Building - \$9.5 million
  - Yuba Garden Elementary Gymnasium & Library - \$5.6 million

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A review of the District as a whole can best be seen in the strength of the District's net position and the subsequent changes in net position.

The computation of the District net position is presented by category in the table below:

	Government-Wide Statement of Net Position		
	June 30, 2013	June 30, 2014	% Variance
Assets:			
Cash	\$ 17,313,784	\$ 15,345,413	
Receivables	15,903,398	14,928,010	
Prepaid Expenses	0	2,570	
Inventories	411,177	412,418	
Capital Assets, net of Depreciation	162,919,076	165,203,784	
Deferred Outflow of Resources	1,261,170	1,121,040	
Total Assets & Deferred Outflow	\$ 197,808,635	\$ 197,013,235	-0.01%
Liabilities:			
Accounts Payable	\$ 6,030,245	\$ 5,373,551	
Unearned Revenue	87,464	83,145	
Long-term Liabilities			
Current Portion	677,031	5,324,964	
Non-Current Portion	101,838,328	98,494,168	
Total Liabilities	\$ 108,633,068	\$ 109,275,828	0.59%
Net Position:			
Net investment in capital assets	\$ 73,999,787	\$ 74,115,147	
Restricted	16,333,481	12,936,622	
Unrestricted	(1,157,731)	685,638	
Total Net Position	\$ 89,175,537	\$ 87,737,407	-1.61%

The District's net position decreased by \$1,438,130 during the 2013/14 fiscal year. Capital assets net of depreciation increased by a total of \$2.29 million. Total liabilities as a whole decreased by approximately \$642,000 primarily due to the combination of having less short term payables, and accruing for a portion of the District's long-term debt deferred interest.

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Most of the District's school sites have low values for today's market because the District acquired the land decades ago. This valuation of land is consistent with accounting rules set forth by the Governmental Accounting Standards Board (GASB).

Although the land and buildings owned by the District contribute to its net position, they are not available as assets that could be liquidated because of the nature of the District's operations and the fact that the District will be utilizing these assets fully for the foreseeable future.

## Changes in Net Position

A summary of total District revenues, expenses, and change in net position is presented in the table below:

	Government-Wide Activities		
	2012/13	2013/14	% Variance
Revenues – Program:			
Charges for Services	\$ 727,420	\$ 829,994	
Operating Grants and Contributions	26,349,608	21,973,992	
Capital Grants and Contributions	2,131,528	3,239,487	
Taxes Levied for General Purposes	12,623,120	13,205,214	
Taxes Levied for Other Debt Service	4,030,884	4,217,068	
Taxes Levied for Other Specific Purposes	0	0	
Unrestricted Federal and State Aid	44,966,170	52,935,398	
Interest and Investment Earnings	153,778	88,888	
Interagency Revenues	804,392	859,914	
Other General Revenues	993,738	935,341	
Total Revenues	\$ 92,780,638	\$ 98,285,296	5.93%
Expenses			
Instruction	\$ 49,473,758	\$ 53,678,933	
Instruction Related	13,311,642	8,429,717	
Pupil Services	13,643,572	14,646,991	
General Administration	7,190,693	6,615,062	
Plant Services	8,441,301	8,646,623	
Ancillary Services	244,621	400,724	
Enterprise Activities	71,143	75,677	
Interest on Long-Term Liabilities	2,558,901	4,528,253	
Other Expenses	3,007,768	2,701,446	
Total Expenses	\$ 97,943,399	\$ 99,723,426	1.82%
Increase (Decrease) in Net Position:	\$ (5,162,761)	\$ (1,438,130)	
Net Position, Beginning of the Year	94,338,298	89,175,537	
Net Position, End of the Year	\$ 89,175,537	\$ 87,737,407	-1.61%

As illustrated above, expenses exceeded revenues by \$1.4 million in 2013/14 vs. \$5.2 million during the prior year.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

FUND	2012-13	Net Change	2013-14
GENERAL (UNRESTRICTED & RESTRICTED)	\$11,030,704	\$2,180,145	\$13,210,849
CHARTER SCHOOL	\$215,128	\$238,732	\$453,860
ADULT EDUCATION	\$173,122	(\$96,706)	\$76,416
CHILD DEVELOPMENT	\$122,526	\$20,827	\$143,353
CAFETERIA	\$1,539,882	(\$138,025)	\$1,401,857
DEFERRED MAINTENANCE	\$24,500	(\$6,022)	\$18,478
BUILDING	\$3,142,068	(\$2,471,306)	\$670,762
CAPITAL FACILITIES	\$5,400,013	(\$3,026,331)	\$2,373,682
COUNTY SCHOOL FACILITIES	\$138,605	\$2,332	\$140,937
BOND INTEREST & REDEMPTION	\$2,177,135	\$274,660	\$2,451,795
BLENDED COMPONENT DEBT SERVICE	\$1,435,067	\$295,313	\$1,730,380
DEBT SERVICE	\$3,791,563	\$410,928	\$4,202,491
SCHOLARSHIP TRUST	\$268,107	\$677	\$268,784
<b>TOTAL</b>	<b>\$29,458,420</b>	<b>(\$2,314,776)</b>	<b>\$27,143,644</b>

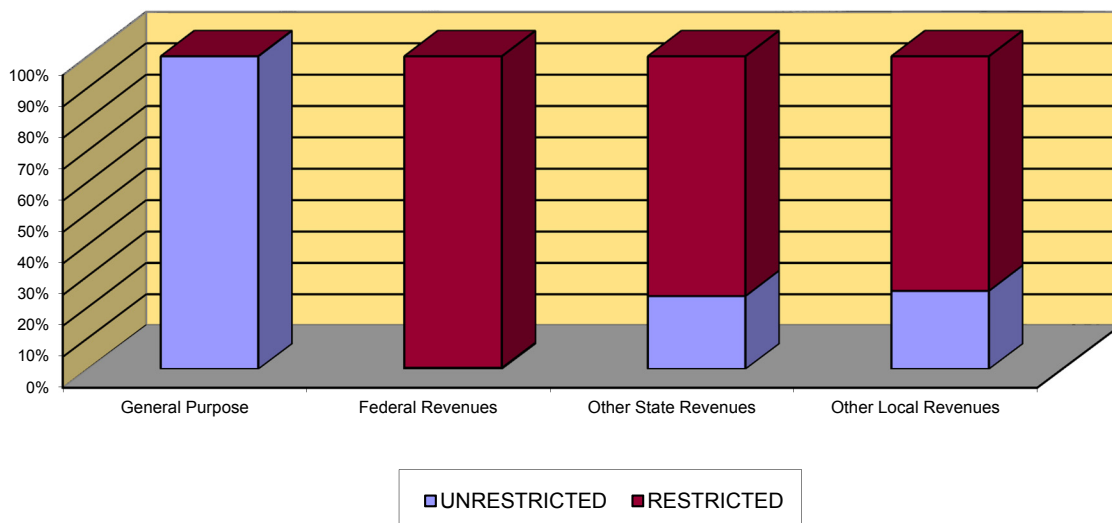
As the District completed the year, its funds reported a combined fund balance of \$27 million in 2013/14, which is illustrated above. Approximately 43% (\$11.6 million) of the District's ending fund balance is restricted for capital expenditures or debt service obligations.

### 2013/14 Financial Summary

#### General Fund Revenues

Illustrated below is a comparison of 2013/14 General Fund unrestricted and restricted revenues in relation to one another.

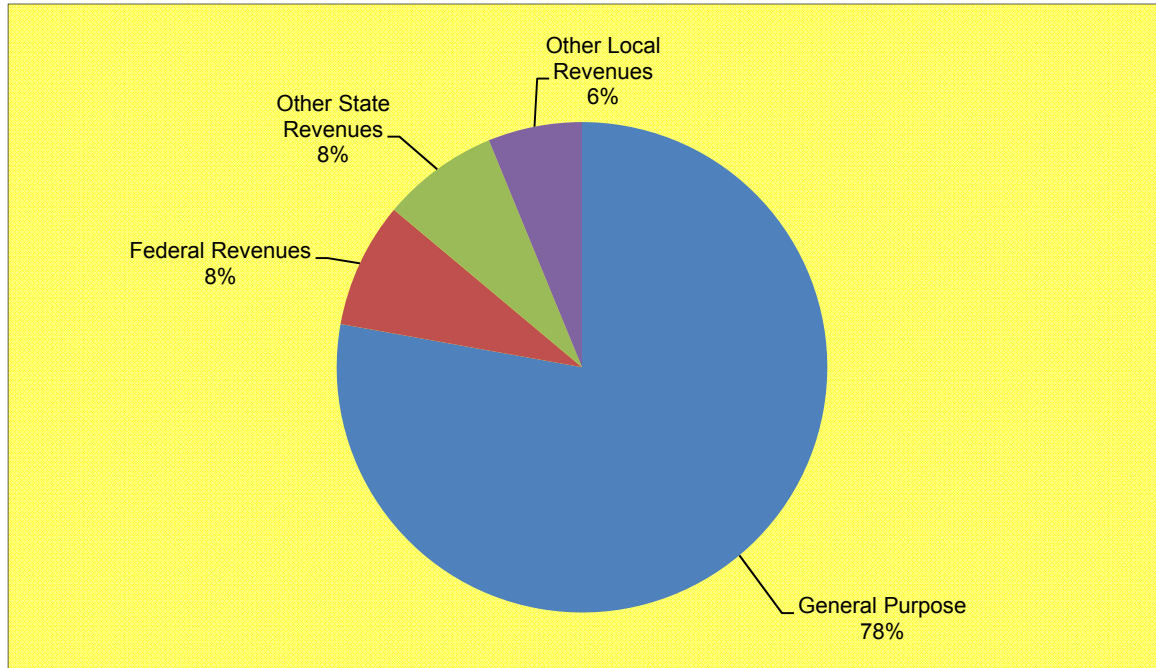
	Unrestricted	Restricted
General Purpose (LCFF)	62,084,576	0
Federal Revenue	29,236	6,569,478
Other State Revenue	1,450,229	4,695,753
Other Local Revenue	1,250,153	3,697,828
<b>TOTAL</b>	<b>64,814,194</b>	<b>14,963,059</b>



The District receives funding for the General Fund from several sources, as illustrated below:

Description	Total
General Purpose (LCFF)	\$62,084,576
Federal Revenues	6,598,714
Other State Revenues	6,145,982
Other Local Revenues	4,947,981
Total	\$79,777,253

**Total General Fund Revenues**

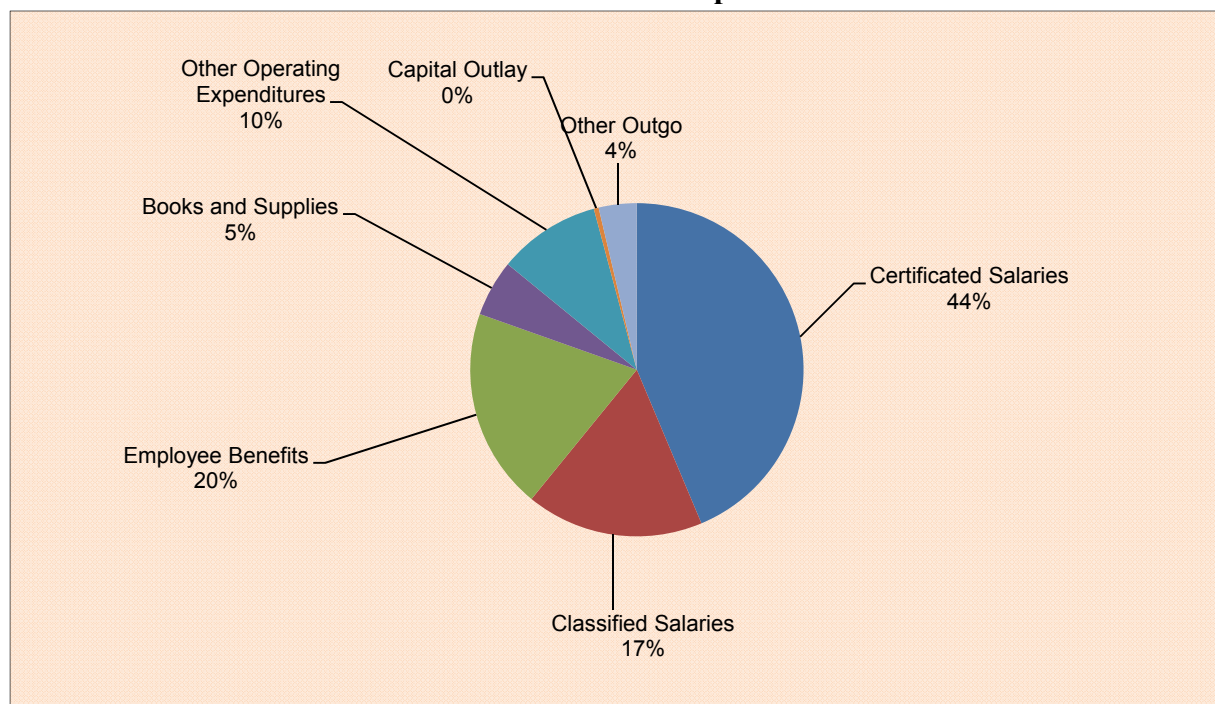


### **General Fund Expenditures**

The General Fund is used for the majority of the functions within the District. As illustrated below, the largest part of expenditures are salaries and benefits that comprise of approximately 84% of the District's unrestricted budget, and approximately 80% of the total General Fund budget.

Description	Total
Certificated Salaries	\$34,269,694
Classified Salaries	\$13,508,026
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$15,340,113
Books and Supplies	\$4,291,953
Other Operating Expenditures	\$7,798,622
Capital Outlay	\$372,433
Other Outgo	\$2,893,926
<b>TOTAL</b>	<b>\$78,474,767</b>

### Total General Fund Expenditures



### General Fund Budgetary to Actual Comparison

The District's 2013-14 General Fund had revenues in excess of expenditures in the amount of \$2.2 vs. expenditures in excess of revenues in the amount of \$1.9 million in 2012-13. The primary difference related to additional general purpose revenues due to the Enacted State Budget (i.e. LCFF, Common Core funds, Clean Energy Job funds, etc...), as well as amounts carried over from 2012/13. In addition, 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets at Year-End (Net of Depreciation)

	2012/13	2013/14	Difference
Land	\$ 7,581,576	\$ 7,581,576	\$ 0
Improvement of Sites	35,727,688	34,076,121	-1,651,567
Buildings	37,439,395	61,209,403	23,770,008
Equipment	2,452,157	2,377,617	-74,540
Work-In-Process	79,718,260	59,959,067	-19,759,193
Totals	\$ 162,919,076	\$ 165,203,784	\$ 2,284,708

By the end of 2013/14, the District had invested a total of \$8.4 million into capital assets. The decrease of \$6.1 million in the District's capital assets consists of recognizing depreciation expense for the 2013/14 fiscal year and disposals. Therefore, the District had a net increase in capital assets of approximately \$2.3 million.



## Outstanding Debt at Year-End

	2012/13	2013/14	Difference
General Obligation Bonds (GOB)	\$ 68,348,777	\$ 67,813,777	\$ -535,000
Certificates of Participation (COP)	21,731,099	21,731,099	0
Accreted Interest (GOB & COP)	2,411,481	3,530,946	1,119,465
Qualified Zone Academy Bonds	4,451,939	4,451,939	0
Capital Lease Obligations	1,146,059	1,040,253	-105,806
Unamortized Premiums	311,528	295,949	-15,579
Net OPEB Obligation	3,839,174	4,666,752	827,578
Compensated Absences	275,302	288,417	13,115
Totals	\$ 102,515,359	\$ 103,819,132	\$ 1,303,773

As illustrated above, the District's long-term liabilities, as a whole, increased by approximately \$1.3 million primarily due to accruing for a portion of the District's long-term debt deferred interest.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

### 2014-15 Enacted State Budget & Proposition 98 Revenues

The 2014-15 Enacted State Budget projected State General Fund revenues to be \$1 billion greater than the January forecast, but consistent with May Revision estimates. Year over year revenue growth for the state's General Fund is projected at \$4.9 billion with a resultant Proposition 98 increase of \$2.6 billion. The next revenue update will occur with the Governor's January budget proposal.

During the LCFF transition period, the LCFF structure relies solely on the annual budget process at the legislative level. On July 3, 2014, the Department of Finance (DOF) released the following LCFF estimated gap factors and COLA percentages:

<i>Description</i>	<i>2013-14 (Estimate)</i>	<i>2013-14 (Actual)</i>	<i>2014-15 (Estimate) Used for Adopted Budget</i>	<i>2014-15 (Revised Estimate)</i>
Gap Funding Percentage	11.78%	12.00%	28.05%	29.56%
Annual Cost-of-Living-Adjustment	1.57%	1.57%	0.85%	0.85%

The Enacted State budget repays nearly \$4.7 billion to Proposition 98 General Fund for K-12 revenues that had been deferred from one year to the next during the Great Recession, leaving an outstanding balance of \$897.184 million in K-12 deferrals. Further, the budget includes a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the budget for the purpose of retiring this remaining deferral balance. Pursuant to Education Code Section 14041.6(h), \$897,184,000 (approximately 3% of LEA state aid LCFF apportionments) is scheduled to be deferred from June 2015 principal apportionment warrants to July 2015.

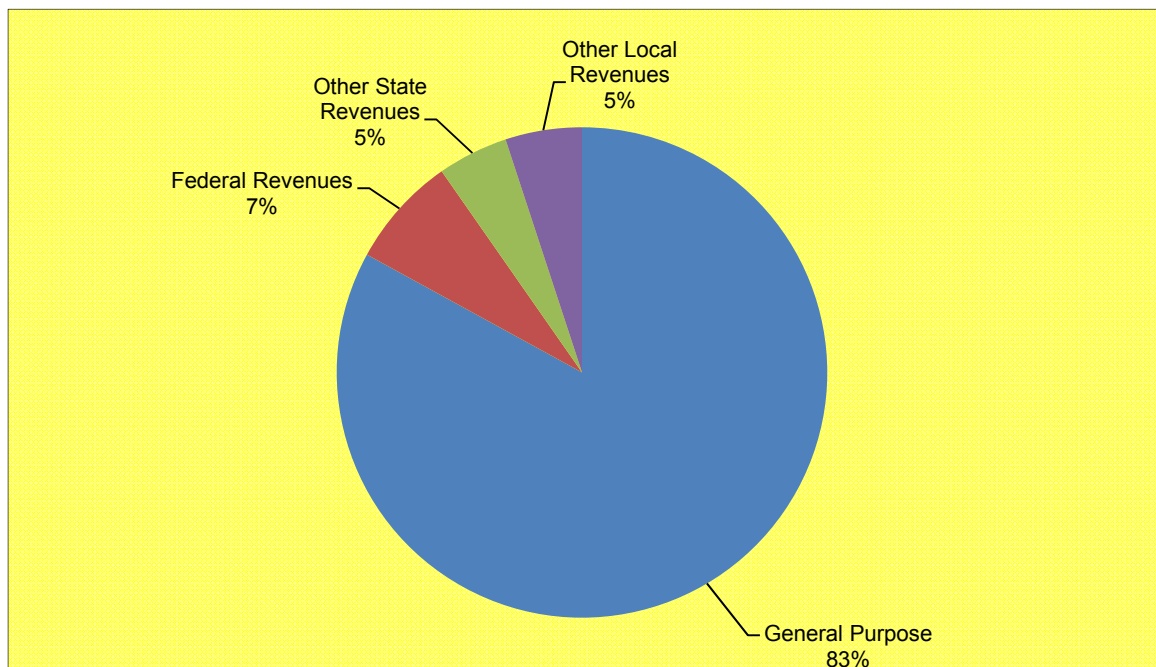
## 2014-15 General Fund Revenue Summary

- ❖ Average Daily Attendance (ADA), excluding County Office ADA, is estimated at 8,756
  - Estimate to maintain consistent ADA from 2013-14
- ❖ The District's estimated unduplicated pupil percentage for supplemental & concentration funding is estimated to be 82%. Amount will be revised based on final data.
- ❖ Lottery revenue is estimated to be \$128 per ADA for unrestricted purposes and \$34 per ADA for restricted purposes
- ❖ Mandated Cost Block Grant is \$28 for K-8 ADA, and \$56 for 9-12 ADA.

The District receives funding for the General Fund from several sources, as illustrated below:

Description	Total
General Purpose (LCFF)	\$69,631,439
Federal Revenues	6,147,864
Other State Revenues	3,896,103
Other Local Revenues	4,239,366
Total	\$83,914,772

**Total Estimated General Fund Revenues**

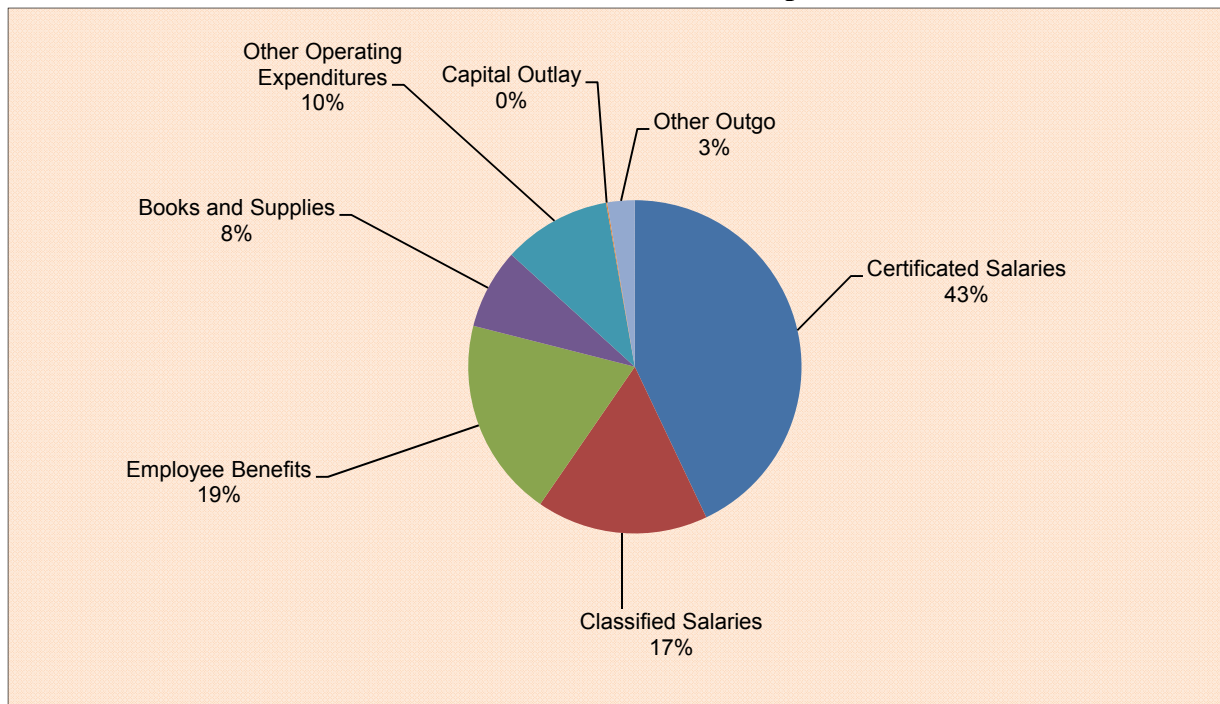


### **General Fund Expenditures**

The General Fund is used for the majority of the functions within the District. As illustrated below, the largest part of expenditures are salaries and benefits that comprise of approximately 80% of the total General Fund budget.

Description	Total
Certificated Salaries	\$35,025,730
Classified Salaries	\$13,579,363
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$15,783,375
Books and Supplies	\$6,338,485
Other Operating Expenditures	\$8,553,043
Capital Outlay	\$98,616
Other Outgo	\$2,164,037
<b>TOTAL</b>	<b>\$81,542,649</b>

**Total Estimated General Fund Expenditures**



### **2014-15 General Fund Balance Summary**

The District's 2014-15 General Fund projects a total operating excess of \$2,354,694 and an ending fund balance of \$15,565,543. In addition, the District is anticipating having positive monthly cash balances during the 2014-15 school year, and estimates that it will have an ending cash balance of \$9.7 million.

### **Contacting the District's Financial Management**

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact:

Ryan DiGiulio  
Assistant Superintendent of 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, 2014

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 15,345,413
Receivables	14,928,010
Prepaid expenses	2,570
Stores inventory	412,418
Non-depreciable capital assets (Note 4)	67,540,643
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>97,663,141</u>
Total assets	<u>195,892,195</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred loss from debt refunding	<u>1,121,040</u>
<b>LIABILITIES</b>	
Accounts payable	5,373,551
Unearned revenue	83,145
Long-term liabilities (Note 5):	
Due within one year	5,324,964
Due after one year	<u>98,494,168</u>
Total liabilities	<u>109,275,828</u>
<b>NET POSITION</b>	
Net investment in capital assets	74,115,147
Restricted (Note 6)	12,936,622
Unrestricted	<u>685,638</u>
Total net position	<u>\$ 87,737,407</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

		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:					
Instruction	\$ 53,678,933	\$ 166,994	\$ 9,160,363	\$ 3,239,487	\$ (41,112,089)
Instruction-related services:					
Supervision of instruction	2,434,206	813	3,219,270	-	785,877
Instructional library, media and technology	393,787	99	229,069	-	(164,619)
School site administration	5,601,724	-	337,155	-	(5,264,569)
Pupil services:					
Home-to-school transportation	4,254,186	340	4,706	-	(4,249,140)
Food services	5,511,471	378,210	4,999,583	-	(133,678)
All other pupil services	4,881,334	33,924	1,829,197	-	(3,018,213)
General administration:					
Data processing	1,445,454	-	34,372	-	(1,411,082)
All other general administration	5,169,608	30,130	1,103,832	-	(4,035,646)
Plant services	8,646,623	798	292,502	-	(8,353,323)
Ancillary services	400,724	-	-	-	(400,724)
Enterprise activities	75,677	-	-	-	(75,677)
Other outgo	2,701,446	218,686	763,943	-	(1,718,817)
Interest on long-term liabilities	4,528,253	-	-	-	(4,528,253)
Total governmental activities	<u>\$ 99,723,426</u>	<u>\$ 829,994</u>	<u>\$ 21,973,992</u>	<u>\$ 3,239,487</u>	<u>(73,679,953)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					13,205,214
Taxes levied for debt service					4,217,068
Federal and state aid not restricted to specific purposes					52,935,398
Interest and investment earnings					88,888
Interagency revenues					859,914
Miscellaneous					935,341
Total general revenues					<u>72,241,823</u>
Change in net position					(1,438,130)
Net position, July 1, 2013					<u>89,175,537</u>
Net position, June 30, 2014					<u>\$ 87,737,407</u>

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
<b>ASSETS</b>				
Cash and investments:				
Cash in County Treasury	\$ 4,247,072	\$ -	\$ 6,863,046	\$ 11,110,118
Cash in revolving fund	30,000	-	1,910	31,910
Cash with Fiscal Agent	-	4,202,491	894	4,203,385
Receivables	13,042,327	-	1,885,683	14,928,010
Due from other funds	745,642	-	2,040,150	2,785,792
Prepaid expenditures	2,570	-	-	2,570
Stores inventory	<u>271,975</u>	<u>-</u>	<u>140,443</u>	<u>412,418</u>
Total assets	<u>\$ 18,339,586</u>	<u>\$ 4,202,491</u>	<u>\$ 10,932,126</u>	<u>\$ 33,474,203</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,046,103	\$ -	\$ 684,303	\$ 3,730,406
Unearned revenue	54,428	-	28,717	83,145
Due to other funds	<u>2,028,206</u>	<u>-</u>	<u>757,586</u>	<u>2,785,792</u>
Total liabilities	<u>5,128,737</u>	<u>-</u>	<u>1,470,606</u>	<u>6,599,343</u>
Fund balances:				
Nonspendable	304,545	-	142,353	446,898
Restricted	3,475,102	4,202,491	9,319,167	16,996,760
Assigned	2,076,019	-	-	2,076,019
Unassigned	<u>7,355,183</u>	<u>-</u>	<u>-</u>	<u>7,355,183</u>
Total fund balances	<u>13,210,849</u>	<u>4,202,491</u>	<u>9,461,520</u>	<u>26,874,860</u>
Total liabilities and fund balances	<u>\$ 18,339,586</u>	<u>\$ 4,202,491</u>	<u>\$ 10,932,126</u>	<u>\$ 33,474,203</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, 2014

Total fund balances - Governmental Funds \$ 26,874,860

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 \$221,155,259 and the accumulated depreciation is \$55,951,475 (Note 4). 165,203,784

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 at refunding was \$1,261,170 and the total cumulative amortization was \$140,130. 1,121,040

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, 2014 consisted of (Note 5):

General Obligation Bonds	\$ (67,813,777)	
Accreted Interest	(3,530,946)	
Certificates of Participation	(21,731,099)	
Qualified Zone Academy Bonds	(4,451,939)	
Capitalized lease obligations	(1,040,253)	
Unamortized premium on long-term liabilities	(295,949)	
Other postemployment benefits (OPEB) (Note 8)	(4,666,752)	
Compensated absences	<u>(288,417)</u>	
		(103,819,132)

Unmatured interest is not recognized until it is due and, therefore, it is not accrued as a payable in governmental funds. (1,643,145)

Total net position - governmental activities \$ 87,737,407

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, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 49,698,659	\$ -	\$ 2,513,932	\$ 52,212,591
Local sources	<u>12,385,917</u>	<u>-</u>	<u>-</u>	<u>12,385,917</u>
Total LCFF	<u>62,084,576</u>	<u>-</u>	<u>2,513,932</u>	<u>64,598,508</u>
Federal sources	6,598,714	-	5,035,415	11,634,129
Other state sources	6,145,982	-	5,563,409	11,709,391
Other local sources	<u>4,947,981</u>	<u>6,206</u>	<u>5,389,081</u>	<u>10,343,268</u>
Total revenues	<u>79,777,253</u>	<u>6,206</u>	<u>18,501,837</u>	<u>98,285,296</u>
Expenditures:				
Certificated salaries	34,269,694	-	1,920,261	36,189,955
Classified salaries	13,508,026	-	3,058,515	16,566,541
Employee benefits	15,340,113	-	1,906,486	17,246,599
Books and supplies	4,291,953	-	2,814,451	7,106,404
Contract services and operating expenditures	7,798,622	-	477,238	8,275,860
Capital outlay	372,433	-	8,200,473	8,572,906
Other outgo	2,680,923	-	-	2,680,923
Debt service:				
Principal retirement	161,343	-	535,000	696,343
Interest	<u>51,660</u>	<u>-</u>	<u>3,269,095</u>	<u>3,320,755</u>
Total expenditures	<u>78,474,767</u>	<u>-</u>	<u>22,181,519</u>	<u>100,656,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,302,486</u>	<u>6,206</u>	<u>(3,679,682)</u>	<u>(2,370,990)</u>
Other financing sources (uses):				
Operating transfers in	822,122	404,722	3,237,155	4,463,999
Operating transfers out	-	-	(4,463,999)	(4,463,999)
Proceeds from issuance of long-term debt	<u>55,537</u>	<u>-</u>	<u>-</u>	<u>55,537</u>
Total other financing sources (uses)	<u>877,659</u>	<u>404,722</u>	<u>(1,226,844)</u>	<u>55,537</u>
Change in fund balances	2,180,145	410,928	(4,906,526)	(2,315,453)
Fund balances, July 1, 2013	<u>11,030,704</u>	<u>3,791,563</u>	<u>14,368,046</u>	<u>29,190,313</u>
Fund balances, June 30, 2014	<u>\$ 13,210,849</u>	<u>\$ 4,202,491</u>	<u>\$ 9,461,520</u>	<u>\$ 26,874,860</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, 2014

Net change in fund balances - Total Governmental Funds \$ (2,315,453)

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). \$ 8,473,378

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (5,964,974)

Proceeds from disposal of capital assets are reported as revenue in the governmental funds and as gain or loss in the statement of activities (Note 4). (223,696)

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). (55,537)

In governmental funds, deferred inflows and deferred outflows of resources are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources amortized over the life of the debt. (140,130)

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). 696,343

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). (1,119,465)

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: 36,518

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). (840,693) 877,323

Change in net position of governmental activities \$ (1,438,130)

See accompanying notes to financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

TRUST AND AGENCY FUNDS

June 30, 2014

	<u>Trust Fund Scholarship Trust Fund</u>	<u>Agency Fund Student Body Funds</u>
<b>ASSETS</b>		
Cash in County Treasury (Note 2)	\$ 268,784	\$ -
Cash on hand and in banks (Note 2)	-	376,901
Stores inventory	<u>-</u>	<u>10,926</u>
Total assets	<u>268,784</u>	<u>387,827</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>387,827</u>
<b>NET POSITION</b>		
Restricted (Note 6)	<u>\$ 268,784</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**TRUST FUND**

**For the Year Ended June 30, 2014**

	<b><u>Scholarship Trust Fund</u></b>
Additions:	
Other local sources	\$ <u>7,169</u>
Deductions:	
Other outgo	<u>6,492</u>
Change in fund balance	677
Net position, July 1, 2013	<u>268,107</u>
Net position, June 30, 2014	<u><u>\$ 268,784</u></u>

See accompanying notes to financial statements.

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO 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 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 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. 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.



# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Fund Accounting (Continued)

##### 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.

Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This includes the Building, Capital Facilities, and County School Facilities Funds.

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.

#### Accrual

Governmental activities in the government-wide financial statements 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.

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 Local Control Funding Formula funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

#### 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.

#### 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.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled \$140,130.

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

#### Compensated Absences

Compensated absences totaling \$288,417 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 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, prepaid expenditures 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, 2014, 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, however, as of June 30, 2014, no such designation has occurred.

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO 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, 2014, 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 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 March 2012 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 fund based 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. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012 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 was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

In June 2012 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 No. 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 fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 11,110,118	\$ 268,784
Deposits:		
Cash on hand and in banks	-	376,901
Revolving cash fund	31,910	-
Investments:		
Cash with Fiscal Agent	<u>4,203,385</u>	<u>-</u>
Total	<u>\$ 15,345,413</u>	<u>\$ 645,685</u>

## MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 2. CASH AND INVESTMENTS (Continued)

##### 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.

In accordance with applicable state laws, the Yuba County Treasurer may invest in derivative securities. However, at June 30, 2014, 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, 2014, the carrying amount of the District's accounts was \$408,811 and the bank balance was \$427,503. The total uninsured bank balance at June 30, 2014 was \$72,226.

##### 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, 2014, 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.



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

**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, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General Fund	\$ 745,642	\$ 2,028,206
Non-Major Funds:		
Charter School Fund	4,000	422,464
Child Development Fund	-	30,855
Cafeteria Fund	24,206	292,316
Building Fund	-	11,951
Capital Facilities Fund	2,000,000	-
County Schools Facilities Fund	5,944	-
Bond Interest and Redemption Fund	<u>6,000</u>	<u>-</u>
Totals	<u>\$ 2,785,792</u>	<u>\$ 2,785,792</u>

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 3. INTERFUND TRANSACTIONS (Continued)

#### 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 2013-2014 fiscal year were as follows:

Transfer from the Charter School Fund to the General Fund for indirect support.	\$ 422,464
Transfer from the Child Development Fund to the General Fund for indirect support.	107,342
Transfer from the Cafeteria Fund to the General Fund for indirect support.	292,316
Transfer from the Capital Facilities Fund to the Debt Service Fund to accumulated funds for future QZAB obligations.	404,722
Transfer from the County Schools Facilities Fund to the Building Fund for OPSC reimbursements and project expenditures.	<u>3,237,155</u>
	<u>\$ 4,463,999</u>

### 4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions and Transfers	Deductions and Transfers	Balance June 30, 2014
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 7,581,576	\$ -	\$ -	\$ 7,581,576
Work-in-process	79,718,260	8,505,816	(28,265,009)	59,959,067
Depreciable:				
Buildings	78,682,402	27,882,965	-	106,565,367
Site improvements	44,037,089	15,637	(6,246,773)	37,805,953
Equipment	<u>9,137,231</u>	<u>333,969</u>	<u>(227,904)</u>	<u>9,243,296</u>
Totals, at cost	<u>219,156,558</u>	<u>36,738,387</u>	<u>(34,739,686)</u>	<u>221,155,259</u>
Less accumulated depreciation:				
Buildings	(41,243,007)	(4,112,957)	-	(45,355,964)
Site improvements	(8,309,401)	(1,459,145)	6,038,714	(3,729,832)
Equipment	<u>(6,685,074)</u>	<u>(392,872)</u>	<u>212,267</u>	<u>(6,865,679)</u>
Total accumulated depreciation	<u>(56,237,482)</u>	<u>(5,964,974)</u>	<u>6,250,981</u>	<u>(55,951,475)</u>
Capital assets, net	<u>\$ 162,919,076</u>	<u>\$ 30,773,413</u>	<u>\$ (28,488,705)</u>	<u>\$ 165,203,784</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 5,964,974</u>
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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**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, 2014:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	510,000	633,449	1,143,449
2020-2024	3,590,000	2,775,404	6,365,404
2025-2029	5,850,000	1,791,220	7,641,220
2030-2032	<u>4,980,000</u>	<u>347,800</u>	<u>5,327,800</u>
	<u>\$ 16,330,000</u>	<u>\$ 8,279,194</u>	<u>\$ 24,609,194</u>

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%.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The following is a schedule of future payments on the 2008 Bonds, as of June 30, 2014:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	320,000	821,821	1,141,821
2020-2024	2,510,000	3,848,255	6,358,255
2025-2029	4,155,000	3,173,458	7,328,458
2030-2034	<u>10,160,000</u>	<u>1,884,860</u>	<u>12,044,860</u>
	<u>\$ 17,970,000</u>	<u>\$ 13,126,178</u>	<u>\$ 31,096,178</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, 2014:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	730,000	1,452,906	2,182,906
2020-2024	4,211,076	6,550,631	10,761,707
2025-2029	6,022,937	5,696,006	11,718,943
2030-2034	15,280,000	3,530,069	18,810,069
2035-2037	<u>5,449,764</u>	<u>207,820</u>	<u>5,657,584</u>
	<u>\$ 33,513,777</u>	<u>\$ 23,501,556</u>	<u>\$ 57,015,333</u>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO 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:

<u>Year Ending June 30,</u>	<u>COPs Payments</u>
2015	\$ 136,069
2016	552,994
2017	551,394
2018	553,669
2019	549,969
2020-2022	<u>1,655,734</u>
Total payments	3,999,829
Less amount representing interest	<u>(644,829)</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%.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

Scheduled payments for the 2012 COPs are as follows:

Year Ending <u>June 30,</u>	COPs <u>Payments</u>
2020-2024	\$ 5,640,000
2025-2029	14,095,000
2030-2034	14,095,000
2035-2037	14,095,000
2040-2043	<u>8,460,000</u>
Total payments	56,385,000
Less amount representing interest	<u>(38,008,901)</u>
Net present value of minimum payments	<u><u>\$ 18,376,099</u></u>

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. The QZAB was paid off 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 \$614,000, as of June 30, 2014.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

Scheduled payments for the capital lease are as follows:

Year Ending <u>June 30,</u>	Capital Lease <u>Payments</u>
2015	\$ 193,691
2016	193,691
2017	193,691
2018	193,691
2019	193,691
2020	<u>193,692</u>
Total payments	1,162,147
Less amount representing interest	<u>(158,119)</u>
Net present value of minimum payments	<u><u>\$ 1,004,028</u></u>

In August 2013, the District entered into a capital lease purchase agreement with John Deere Financials, for \$55,537 to finance the purchase of District's front mower. The District is required to make lease payments of principal and interest in conjunction with these capital leases through September 2015. The District has capitalized in the category of Equipment, \$55,537 of the John Deere mower, with an accumulated depreciation of \$3,085, as of June 30, 2014.

Scheduled payments for the capital lease are as follows:

Year Ending <u>June 30,</u>	Capital Lease <u>Payments</u>
2015	\$ 19,312
2016	<u>19,312</u>
Total payments	38,624
Less amount representing interest	<u>(2,399)</u>
Net present value of minimum payments	<u><u>\$ 36,225</u></u>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO 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, 2014 is shown below:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 68,348,777	\$ -	\$ 535,000	\$ 67,813,777	\$ 705,000
Accreted Interest	1,485,811	-	-	1,485,811	-
Certificates of Participation	21,731,099	-	-	21,731,099	-
Accreted Interest	925,670	1,119,465	-	2,045,135	-
Qualified Zone Academy					
Bond	4,451,939	-	-	4,451,939	4,451,939
Capitalized lease obligations	1,146,059	55,537	161,343	1,040,253	168,025
Unamortized premium on					
long-term liabilities	311,528	-	15,579	295,949	-
Other postemployment					
benefits (Note 8)	3,839,174	1,914,759	1,087,181	4,666,752	-
Compensated absences	<u>275,302</u>	<u>13,115</u>	<u>-</u>	<u>288,417</u>	<u>-</u>
Total	<u>\$ 102,515,359</u>	<u>\$ 3,102,876</u>	<u>\$ 1,799,103</u>	<u>\$ 103,819,132</u>	<u>\$ 5,324,964</u>

Payments on the General Obligations Bonds are made from the Bond Interest and Redemption Fund and the Debt Service Fund for Blended Component Units. Payments on the Capitalized lease obligations are made from the General Fund. 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, 2014:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 3,475,102
Restricted for special revenues	2,093,964
Restricted for capital projects	3,185,381
Restricted for debt service	<u>4,182,175</u>
Total restricted net position	<u>\$ 12,936,622</u>
	<u>Fiduciary Activities</u>
Restricted for scholarships	<u>\$ 268,784</u>



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. NET POSITION / FUND BALANCES (Continued)**

Fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 30,000	\$ -	\$ 1,910	\$ 31,910
Stores inventory	271,975	-	140,443	412,418
Prepaid expenditures	<u>2,570</u>	<u>-</u>	<u>-</u>	<u>2,570</u>
Subtotal nonspendable	<u>304,545</u>	<u>-</u>	<u>142,353</u>	<u>446,898</u>
Restricted:				
Unspent categorical revenues	3,475,102	-	-	3,475,102
Capital projects	-	-	3,185,381	3,185,381
Special revenue	-	-	1,951,611	1,951,611
Debt service	<u>-</u>	<u>4,202,491</u>	<u>4,182,175</u>	<u>8,384,666</u>
Subtotal restricted	<u>3,475,102</u>	<u>4,202,491</u>	<u>9,319,167</u>	<u>16,996,760</u>
Assigned:				
Lottery funds	1,758,506	-	-	1,758,506
Targeted allocation	186,702	-	-	186,702
Education Protection Act	<u>130,811</u>	<u>-</u>	<u>-</u>	<u>130,811</u>
Subtotal assigned	<u>2,076,019</u>	<u>-</u>	<u>-</u>	<u>2,076,019</u>
Unassigned:				
Designated for economic uncertainty	2,330,000	-	-	2,330,000
Undesignated	<u>5,025,183</u>	<u>-</u>	<u>-</u>	<u>5,025,183</u>
Subtotal unassigned	<u>7,355,183</u>	<u>-</u>	<u>-</u>	<u>7,355,183</u>
Total fund balances	<u><u>\$ 13,210,849</u></u>	<u><u>\$ 4,202,491</u></u>	<u><u>\$ 9,461,520</u></u>	<u><u>\$ 26,874,860</u></u>

**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).

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 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.

##### *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 2013-2014 was 11.442% 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, 2012, 2013 and 2014 were \$1,497,809, \$1,567,405 and \$1,671,075, 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.

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### Plan Description and Provisions (Continued)

##### *Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-2014 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, 2012, 2013 and 2014 were \$2,908,761, \$2,849,452 and \$2,819,125, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

### 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.

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, 2014, the District's "pay-as-you-go" expenses were \$1,087,181.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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	\$ 1,782,726
Interest on net OPEB obligation	182,361
Adjustment to annual required contribution	<u>(50,328)</u>
Annual OPEB cost (expense)	1,914,759
Contributions made	<u>(1,087,181)</u>
Increase in net OPEB obligation	827,578
Net OPEB obligation - beginning of year	<u>3,839,174</u>
Net OPEB obligation - end of year	<u><u>\$ 4,666,752</u></u>

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, 2014 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, 2012	\$ 1,662,678	70.5%	\$ 3,372,692
June 30, 2013	\$ 1,641,220	71.6%	\$ 3,839,174
June 30, 2014	\$ 1,914,759	56.8%	\$ 4,666,752

## MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

##### Funded Status and Funding Progress

As of February 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$17.1 million, all of which is unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.1 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$48.6 million, and the ratio of the UAAL to the covered payroll was 35.2 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.

In the February 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 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 2.75 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, 2014, was 29 years.

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The following is a summary of financial information for SIG at June 30, 2014 and NCSIG at June 30, 2013 (the most recent information available):

	<u>SIG</u>	<u>NCSIG</u>
Total assets	\$ 86,315,315	\$ 8,146,112
Total liabilities	\$ 31,253,582	\$ 4,224,006
Total net position	\$ 55,061,733	\$ 3,922,106
Total revenues	\$ 82,124,047	\$ 7,118,462
Total expenses	\$ 80,784,567	\$ 6,702,238

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.

### 11. SUBSEQUENT EVENT

On October 28 2014, the District issued 2014 General Obligation Refunding Bonds in the total amount of \$33,490,000. The Bonds were issued to currently refund all of the District's 2006 General Obligation Bonds and a portion of the 2008 General Obligation Bonds outstanding at the date of refunding. The Board of Supervisors of Butte County are empowered and obligated to annually levy and collect ad valorem property taxes without limitation as to rate or amount on all taxable property in the District for the repayment of interest, principal, and premium, if any. The Bonds bear interest at rates ranging from 3.0% to 5.0%, and are scheduled to mature through August 1, 2033.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended June 30, 2014**

	<u>Budget</u>			<b>Variance Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 36,771,645	\$ 49,541,463	\$ 49,698,659	\$ 157,196
Local sources	<u>11,887,140</u>	<u>11,789,662</u>	<u>12,385,917</u>	<u>596,255</u>
Total LCFF	<u>48,658,785</u>	<u>61,331,125</u>	<u>62,084,576</u>	<u>753,451</u>
Federal sources	6,752,358	7,301,130	6,598,714	(702,416)
Other state sources	15,180,780	6,271,146	6,145,982	(125,164)
Other local sources	<u>4,637,499</u>	<u>4,979,714</u>	<u>4,947,981</u>	<u>(31,733)</u>
Total revenues	<u>75,229,422</u>	<u>79,883,115</u>	<u>79,777,253</u>	<u>(105,862)</u>
Expenditures:				
Certificated salaries	34,511,956	34,714,501	34,269,694	444,807
Classified salaries	13,404,816	13,515,838	13,508,026	7,812
Employee benefits	15,353,838	15,551,194	15,340,113	211,081
Books and supplies	5,306,390	6,806,147	4,291,953	2,514,194
Contract services and operating expenditures	7,334,790	8,802,735	7,798,622	1,004,113
Capital outlay	79,313	641,102	372,433	268,669
Other outgo	1,750,269	2,694,047	2,680,923	13,124
Debt service:				
Principal retirement	142,032	159,890	161,343	(1,453)
Interest	<u>51,660</u>	<u>53,114</u>	<u>51,660</u>	<u>1,454</u>
Total expenditures	<u>77,935,064</u>	<u>82,938,568</u>	<u>78,474,767</u>	<u>4,463,801</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(2,705,642)</u>	<u>(3,055,453)</u>	<u>1,302,486</u>	<u>4,357,939</u>
Other financing sources:				
Operating transfers in	789,910	799,606	822,122	22,516
Proceeds from issuance of long-term debt	<u>-</u>	<u>-</u>	<u>55,537</u>	<u>55,537</u>
Total other financing sources:	<u>789,910</u>	<u>799,606</u>	<u>877,659</u>	<u>78,053</u>
Change in fund balance	(1,915,732)	(2,255,847)	2,180,145	4,435,992
Fund balance, July 1, 2013	<u>11,030,704</u>	<u>11,030,704</u>	<u>11,030,704</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 9,114,972</u>	<u>\$ 8,774,857</u>	<u>\$ 13,210,849</u>	<u>\$ 4,435,992</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, 2014

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
March 25, 2010	\$ -	\$11.4 million	\$11.4 million	0%	\$48.8 million	23.4%
February 1, 2012	\$ -	\$17.4 million	\$17.4 million	0%	\$45.4 million	38.4%
February 1, 2014	\$ -	\$17.1 million	\$17.1 million	0%	\$48.6 million	36.2%

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.

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, 2014

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Debt Service Fund for Blended Component Units</u>	<u>Total</u>
<b>ASSETS</b>											
Cash in County Treasury	\$ 569,886	\$ 76,727	\$ 108,543	\$ 227,629	\$ 18,478	\$ 736,645	\$ 813,970	\$ 134,993	\$ 2,445,795	\$ 1,730,380	\$ 6,863,046
Cash in revolving fund	-	-	-	1,910	-	-	-	-	-	-	1,910
Cash with Fiscal Agent	-	-	-	-	-	-	894	-	-	-	894
Receivables	360,684	426	115,600	1,354,745	-	5,944	48,284	-	-	-	1,885,683
Due from other funds	4,000	-	-	24,206	-	-	2,000,000	5,944	6,000	-	2,040,150
Stores inventory	-	-	-	140,443	-	-	-	-	-	-	140,443
Total assets	<u>\$ 934,570</u>	<u>\$ 77,153</u>	<u>\$ 224,143</u>	<u>\$ 1,748,933</u>	<u>\$ 18,478</u>	<u>\$ 742,589</u>	<u>\$ 2,863,148</u>	<u>\$ 140,937</u>	<u>\$ 2,451,795</u>	<u>\$ 1,730,380</u>	<u>\$ 10,932,126</u>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	\$ 33,120	\$ 737	\$ 49,935	\$ 51,169	\$ -	\$ 59,876	\$ 489,466	\$ -	\$ -	\$ -	\$ 684,303
Due to other funds	422,464	-	30,855	292,316	-	11,951	-	-	-	-	757,586
Unearned revenue	<u>25,126</u>	<u>-</u>	<u>-</u>	<u>3,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,717</u>
Total liabilities	<u>480,710</u>	<u>737</u>	<u>80,790</u>	<u>347,076</u>	<u>-</u>	<u>71,827</u>	<u>489,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,470,606</u>
Fund balances:											
Nonspendable	-	-	-	142,353	-	-	-	-	-	-	142,353
Restricted	<u>453,860</u>	<u>76,416</u>	<u>143,353</u>	<u>1,259,504</u>	<u>18,478</u>	<u>670,762</u>	<u>2,373,682</u>	<u>140,937</u>	<u>2,451,795</u>	<u>1,730,380</u>	<u>9,319,167</u>
Total fund balances:	<u>453,860</u>	<u>76,416</u>	<u>143,353</u>	<u>1,401,857</u>	<u>18,478</u>	<u>670,762</u>	<u>2,373,682</u>	<u>140,937</u>	<u>2,451,795</u>	<u>1,730,380</u>	<u>9,461,520</u>
Total liabilities and fund balances	<u>\$ 934,570</u>	<u>\$ 77,153</u>	<u>\$ 224,143</u>	<u>\$ 1,748,933</u>	<u>\$ 18,478</u>	<u>\$ 742,589</u>	<u>\$ 2,863,148</u>	<u>\$ 140,937</u>	<u>\$ 2,451,795</u>	<u>\$ 1,730,380</u>	<u>\$ 10,932,126</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, 2014

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total
Revenues:											
Local control funding formula::											
State apportionment	\$ 2,513,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,513,932
Total LCFF	2,513,932	-	-	-	-	-	-	-	-	-	2,513,932
Federal sources	360	-	164,023	4,871,032	-	-	-	-	-	-	5,035,415
Other state sources	225,675	-	1,645,144	382,922	-	-	-	3,237,155	36,311	36,202	5,563,409
Other local sources	59,935	897	65,038	405,343	153	59,654	630,243	2,332	2,111,344	2,054,142	5,389,081
Total revenues	2,799,902	897	1,874,205	5,659,297	153	59,654	630,243	3,239,487	2,147,655	2,090,344	18,501,837
Expenditures:											
Certificated salaries	1,263,210	6,203	650,848	-	-	-	-	-	-	-	1,920,261
Classified salaries	122,208	61,296	535,682	2,070,932	-	-	268,397	-	-	-	3,058,515
Employee benefits	412,940	30,104	365,365	999,872	-	-	98,205	-	-	-	1,906,486
Books and supplies	117,649	-	128,436	2,309,271	-	213,799	45,296	-	-	-	2,814,451
Contract services and operating expenditures	222,699	-	65,705	124,931	6,175	35,302	22,426	-	-	-	477,238
Capital outlay	-	-	-	-	-	5,519,014	2,681,459	-	-	-	8,200,473
Debt service:											
Principal	-	-	-	-	-	-	-	-	290,000	245,000	535,000
Interest	-	-	-	-	-	-	136,069	-	1,582,995	1,550,031	3,269,095
Total expenditures	2,138,706	97,603	1,746,036	5,505,006	6,175	5,768,115	3,251,852	-	1,872,995	1,795,031	22,181,519
Excess (deficiency) of revenues over (under) expenditures	661,196	(96,706)	128,169	154,291	(6,022)	(5,708,461)	(2,621,609)	3,239,487	274,660	295,313	(3,679,682)
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	3,237,155	-	-	-	-	3,237,155
Operating transfers out	(422,464)	-	(107,342)	(292,316)	-	-	(404,722)	(3,237,155)	-	-	(4,463,999)
Other financing sources (uses)	(422,464)	-	(107,342)	(292,316)	-	3,237,155	(404,722)	(3,237,155)	-	-	(1,226,844)
Net change in fund balances	238,732	(96,706)	20,827	(138,025)	(6,022)	(2,471,306)	(3,026,331)	2,332	274,660	295,313	(4,906,526)
Fund balances, July 1, 2013	215,128	173,122	122,526	1,539,882	24,500	3,142,068	5,400,013	138,605	2,177,135	1,435,067	14,368,046
Fund balances, June 30, 2014	\$ 453,860	\$ 76,416	\$ 143,353	\$ 1,401,857	\$ 18,478	\$ 670,762	\$ 2,373,682	\$ 140,937	\$ 2,451,795	\$ 1,730,380	\$ 9,461,520

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

**ALL AGENCY FUNDS**

**For the Year Ended June 30, 2014**

	<b>Balance July 1, <u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2014</u></b>
<b>Student Body Funds</b>				
<u>Marysville High School</u>				
Assets:				
Cash on hand and in banks	\$ 132,541	\$ 345,903	\$ 347,497	\$ 130,947
Inventory	<u>4,641</u>	<u>2,726</u>	<u>1,583</u>	<u>5,784</u>
Total assets	<u>\$ 137,182</u>	<u>\$ 348,629</u>	<u>\$ 349,080</u>	<u>\$ 136,731</u>
Liabilities:				
Due to student groups	<u>\$ 137,182</u>	<u>\$ 348,629</u>	<u>\$ 349,080</u>	<u>\$ 136,731</u>
<u>Lindhurst High School</u>				
Assets:				
Cash on hand and in banks	\$ 186,997	\$ 168,035	\$ 180,794	\$ 174,238
Inventory	<u>3,487</u>	<u>730</u>	<u>-</u>	<u>4,217</u>
Total assets	<u>\$ 190,484</u>	<u>\$ 168,765</u>	<u>\$ 180,794</u>	<u>\$ 178,455</u>
Liabilities:				
Due to student groups	<u>\$ 190,484</u>	<u>\$ 168,765</u>	<u>\$ 180,794</u>	<u>\$ 178,455</u>
<u>Elementary and Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 58,270	\$ 197,564	\$ 184,118	\$ 71,716
Inventory	<u>2,237</u>	<u>-</u>	<u>1,312</u>	<u>925</u>
Total assets	<u>\$ 60,507</u>	<u>\$ 197,564</u>	<u>\$ 185,430</u>	<u>\$ 72,641</u>
Liabilities:				
Due to student groups	<u>\$ 60,507</u>	<u>\$ 197,564</u>	<u>\$ 185,430</u>	<u>\$ 72,641</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, 2014**

	<b>Balance July 1, <u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2014</u></b>
<b>Student Body Funds</b> (Continued)				
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 377,808	\$ 711,502	\$ 712,409	\$ 376,901
Inventory	<u>10,365</u>	<u>3,456</u>	<u>2,895</u>	<u>10,926</u>
Total assets	<u>\$ 388,173</u>	<u>\$ 714,958</u>	<u>\$ 715,304</u>	<u>\$ 387,827</u>
Liabilities:				
Due to student groups	<u>\$ 388,173</u>	<u>\$ 714,958</u>	<u>\$ 715,304</u>	<u>\$ 387,827</u>

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## ORGANIZATION

June 30, 2014

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	December 2014
Frank Crawford	Vice President	December 2014
Bernard Rechs	Trustee Representative	December 2016
Jim Flurry	Clerk	December 2016
Anthony Dannible	Member	December 2016
Glen Harris	Member	December 2016
Philip Miller	Member	December 2014

### ADMINISTRATION

Gay S. Todd  
Superintendent/Secretary of the Board

Ramiro Carreon  
Assistant Superintendent Personnel Services

Ryan DiGiulio  
Assistant Superintendent Business Services



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**For the Year Ended June 30, 2014**

	<b><u>Second Period</u></b> <b><u>Report</u></b>	<b><u>Annual</u></b> <b><u>Report</u></b>
<b><u>DISTRICT</u></b>		
Elementary:		
Transitional kindergarten through Third	3,197	3,194
Fourth through Sixth	2,095	2,083
Seventh and Eighth	1,136	1,129
Special Education	<u>7</u>	<u>8</u>
Total Elementary	<u>6,435</u>	<u>6,414</u>
Secondary:		
Ninth through Twelfth	2,312	2,295
Special Education	<u>7</u>	<u>7</u>
Total Secondary	<u>2,319</u>	<u>2,302</u>
Total District	<u><u>8,754</u></u>	<u><u>8,716</u></u>
<b><u>CHARTER SCHOOLS</u></b>		
<b>Marysville Charter Academy of the Arts - Classroom-Based:</b>		
Seventh and Eighth	151	149
Ninth through Twelfth	<u>223</u>	<u>219</u>
Subtotal Classroom-Based	<u>374</u>	<u>368</u>
<b>Marysville Charter Academy of the Arts - Non-Classroom-Based:</b>		
Seventh and Eighth	1	1
Ninth through Twelfth	<u>1</u>	<u>1</u>
Subtotal Non-Classroom Based	<u>2</u>	<u>2</u>
Subtotal Marysville Charter Academy of the Arts	<u>376</u>	<u>370</u>

See accompanying notes to supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**For the Year Ended June 30, 2014**

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>Reduced Minutes Require- ment</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b>TRADITIONAL SCHOOLS</b>					
Kindergarten	36,000	35,000	36,000	180	In Compliance
Grade 1	50,400	49,000	50,700	180	In Compliance
Grade 2	50,400	49,000	50,700	180	In Compliance
Grade 3	50,400	49,000	50,700	180	In Compliance
Grade 4	54,000	52,500	54,300	180	In Compliance
Grade 5	54,000	52,500	54,300	180	In Compliance
Grade 6	54,000	52,500	60,304	180	In Compliance
Grade 7	54,000	52,500	60,304	180	In Compliance
Grade 8	54,000	52,500	60,304	180	In Compliance
Grade 9	64,800	63,000	65,245	180	In Compliance
Grade 10	64,800	63,000	65,245	180	In Compliance
Grade 11	64,800	63,000	65,245	180	In Compliance
Grade 12	64,800	63,000	65,245	180	In Compliance
<b>CHARTER SCHOOL</b>					
<u>Marysville Charter Academy for the Arts</u>					
Grade 7	54,000	52,457	64,950	180	In Compliance
Grade 8	54,000	52,457	64,950	180	In Compliance
Grade 9	64,800	62,949	64,950	180	In Compliance
Grade 10	64,800	62,949	64,950	180	In Compliance
Grade 11	64,800	62,949	64,950	180	In Compliance
Grade 12	64,800	62,949	64,950	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, 2014**

<b>Federal Catalog Number</b>	<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expend- itures</b>
<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	\$ 20,793
84.388	NCLB: ARRA Title I, Part A, School Improvement Grant	15021	<u>486,790</u>
	Subtotal Title I, School Improvement Grant Cluster		<u>507,583</u>
	Special Education Program:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	1,386,777
84.027A	Special Ed: IDEA Mental Health Services, Part B, Sec 611	14468	<u>177,384</u>
	Subtotal Special Education Program		<u>1,564,161</u>
	NCLB: Title II, Part A Program:		
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	583,640
84.367	NCLB: Title II, Part A, Administrator Training	14344	<u>10,136</u>
	Subtotal NCLB: Title II Part A Program		<u>593,776</u>
84.010	NCLB: Title I, Part A, Basic Grants Low-Income	14329	3,130,970
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	47,387
84.365	NCLB: Title III, Limited English Proficiency	14346	96,436
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships	14512	32,144
84.060A	Title IX, Part A, Indian Education	10011	328,632
84.048	Carl D. Perkins Career and Technical Education: (Sec 131)	13924	<u>98,950</u>
	Total U.S. Department of Education		<u>6,400,039</u>

(Continued)

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2014**

<b>Federal Catalog Number</b>	<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expend- itures</b>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	National School Lunch Program	23165	\$ 4,776,511
10.582	F&V Grant	14968	94,520
10.665	Forest Reserve Funds	23165	<u>29,595</u>
Total U.S. Department of Agriculture			<u>4,900,626</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option	10013	234,950
93.596	Child Development: Federal Child Care, Center Based	13609	<u>164,024</u>
Total U.S. Department of Health and Human Services			<u>398,974</u>
<u>U.S. Department of the Interior - Passed through California Department of Education</u>			
15.130	Johnson O'Malley: Indian Education Assistance	*	<u>752</u>
Total Federal Awards			<u>\$ 11,700,391</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, 2014**

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, 2014**

**UNAUDITED**

	(Budget) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 84,717,343	\$ 80,654,912	\$ 76,604,271	\$ 81,022,906
Expenditures	81,542,649	78,474,767	76,854,189	80,737,107
Other uses and transfers out	<u>820,000</u>	<u>-</u>	<u>11,615</u>	<u>-</u>
Total outgo	<u>82,362,649</u>	<u>78,474,767</u>	<u>76,865,804</u>	<u>80,737,107</u>
Change in fund balance	<u>\$ 2,354,694</u>	<u>\$ 2,180,145</u>	<u>\$ 261,533</u>	<u>\$ 285,799</u>
Ending fund balance	<u>\$ 15,565,543</u>	<u>\$ 13,210,849</u>	<u>\$ 11,030,704</u>	<u>\$ 11,292,237</u>
Available reserves	<u>\$ 4,897,310</u>	<u>\$ 7,355,183</u>	<u>\$ 7,660,191</u>	<u>\$ 8,310,759</u>
Designated for economic uncertainties	<u>\$ 2,446,802</u>	<u>\$ 2,330,000</u>	<u>\$ 2,284,559</u>	<u>\$ 2,410,683</u>
Undesignated fund balance	<u>\$ 2,450,508</u>	<u>\$ 5,025,183</u>	<u>\$ 5,375,632</u>	<u>\$ 5,900,076</u>
Available reserves as percentages of total outgo	<u>5.9%</u>	<u>9.4%</u>	<u>9.9%</u>	<u>10.3%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 98,494,168</u>	<u>\$ 103,819,132</u>	<u>\$ 102,515,359</u>	<u>\$ 95,271,770</u>
Average daily attendance at P-2	<u>8.754</u>	<u>8.754</u>	<u>8.758</u>	<u>8.808</u>

The General Fund fund balance has increased by \$2,727,477 over the past three years. The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2014-2015 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 \$8,547,362 over the past two years.

Average daily attendance has decreased by 54 over the past two years. The District anticipates no change in ADA for the 2014-2015 fiscal year.

See accompanying notes to supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2014**

**Charter Schools Chartered by District**

**Included in District  
Financial Statements, or  
Separate Report**

Marysville Charter Academy for the Arts

Included as the Charter Schools Fund.

Paragon Collegiate 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, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 11,634,129
Add: Medi-Cal Billing Option spent from prior year	93.778	<u>66,262</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 11,700,391</u>

(Continued)



# 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 2014-2015 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, 2014, 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, 2014.

<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	10	Yes
Instructional Materials	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
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	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
Charter School Facility Grant Program	1	Yes

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 did not operate that program.

The District did not have any expenditures related to Clean Energy Jobs Act; therefore, we did not perform any procedures.

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, as listed above.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above 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, 2014. 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 9, 2014

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, 2014, 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 9, 2014.

#### **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. We identified other matters involving internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

## **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*.

## **Response to Finding**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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 9, 2014

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, 2014. 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, 2014.

## 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 9, 2014

## **FINDINGS AND RECOMMENDATIONS**



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**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      X   No

    Significant deficiency(ies) identified not considered  
to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ Yes      X   No

**FEDERAL AWARDS**

Internal control over major programs:

    Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

    Significant deficiency(ies) identified not considered  
to be material weakness(es)? \_\_\_\_\_ Yes      X   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      X   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
84.027, 84.027A	Special Education Cluster

Dollar threshold used to distinguish between Type A  
and Type B programs: \$351,012

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**STATE AWARDS**

Type of auditor's report issued on compliance for  
state programs: Unmodified

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2014-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)**

Criteria

Internal Controls – Safeguarding of Assets

Condition

At Marysville High School a report of financial transactions of the various club accounts is not submitted to the school principal for review.

At McKenney Intermediate there is no evidence of that the principal reviews the report of financial transactions of the various club accounts. There is no evidence of approval by the principal of the dance activity.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been consistently followed.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation.

Report of financial transaction of the various club accounts should be submitted to the school Principal for review and approval and the process should be documented. All ASB activities should be approved by the principal.

Corrective Action Plan

The quarterly packet sent to the District, which includes financial transaction of the various club accounts, will now be provided to the principal for review and approval and then submitted to the District. All ASB activities will be approved by the Principal.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2014**

**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, 2014**

**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, 2014**

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