

**MERCED UNION
HIGH SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

MERCED UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Merced Union High School District
Merced, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund as discussed in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison and other postemployment information on pages 51 and 52, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vannest, Eric, Day & Co., LLP

Fresno, California
October 27, 2011



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Merced Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Merced Union High School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are presented in the trust and agency funds, which focus reporting on net assets.

The Primary unit of the government is the Merced Union High School District.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of grade nine through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

THE DISTRICT AS TRUSTEE

Reporting the Merced Union High School District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and deferred compensation. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Assets* and the *Statement of Changes in Fund Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's total net assets were \$144.2 million for the fiscal year ended June 30, 2011, and \$96.3 million for the fiscal year ended June 30, 2010; an increase of \$47.9 million. Restricted net assets, which totaled \$10.5 million, are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. The analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

(Amounts in millions)

	School District Activities		
	2011	2010	Variance
Current and other assets	\$ 101.1	\$ 56.8	\$ 44.3
Capital assets	123.5	96.3	27.2
Total Assets	224.6	153.1	71.5
Current liabilities	7.1	6.0	1.1
Long-term obligations	73.3	50.8	22.5
Total Liabilities	80.4	56.8	23.6
Net assets			
Invested in capital assets, net of related debt	103.1	58.7	44.4
Restricted	10.5	28.6	(18.1)
Unrestricted	30.6	9.0	21.6
Total Net Assets	\$ 144.2	\$ 96.3	\$ 47.9

The \$30.6 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The amount primarily increased due to the consolidation of the Special Reserve Non-Capital Fund and the Special Reserve Postemployment Benefits Fund as discussed in the Notes to Financial Statements.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2011

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

Table 2

(Amounts in millions)	School District Activities		
	2011	2010	Variance
Revenues			
Program revenues:			
Charges for services	\$ 1.1	\$ 1.0	\$ 0.1
Operating grants and contributions	20.8	17.3	3.5
Capital grants and contributions	43.4	0.4	43.0
General revenues:			
Federal and state aid not restricted	59.8	56.9	2.9
Property taxes	15.8	14.6	1.2
Other general revenues	3.6	5.1	(1.5)
Total Revenues	144.5	95.3	49.2
Expenses			
Instruction related	62.5	66.3	(3.8)
Student support services	12.8	13.4	(0.6)
Administration	5.1	6.3	(1.2)
Maintenance and operations	11.6	9.5	2.1
Other	4.6	4.5	0.1
Total Expenses	96.6	100.0	(3.4)
Change in Net Assets	\$ 47.9	\$ (4.7)	\$ 52.6

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$96.6 million as compared to \$100.0 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$15.8 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$64.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$79.2 million in Federal and State funds and other revenues, like interest, general entitlements, and charges for services.

In Table 3, we have presented the cost and net cost of each of the District's largest functions - instruction, pupil support services, administration, maintenance and operations, and other miscellaneous functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Table 3

(Dollar amounts in millions)	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction related	\$ 62.5	\$ 66.3	\$ 5.8	\$ 54.4
Student support services	12.8	13.4	7.6	8.0
Administration	5.1	6.3	4.5	5.6
Maintenance and operations	11.6	9.5	11.4	9.7
Other	4.6	4.5	1.9	4.0
Total	\$ 96.6	\$ 100.0	\$ 31.2	\$ 81.7

The District's net cost of activities for the current year was \$31.2 million as compared to \$81.7 million in the prior year. A majority of the District's expenses were related to the education and support of its students (64.7 percent).

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of \$94.1 million, while the prior year reported a balance of \$50.7 million, which is an increase of \$43.4 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity	
	June 30, 2011	June 30, 2010
General Fund	\$ 35.1	\$ 14.7
Special Reserve Non-Capital Fund	-	16.6
Building Fund	50.5	9.8
County School Facilities Fund	1.2	1.2
Non-Major Funds	7.3	8.4
Total	\$ 94.1	\$ 50.7

The primary reasons for these decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$14.7 million to \$35.1 million. This increase is due to:
 1. Increased Federal revenue
 2. Increased State revenue
 3. Decreased payroll related expenses
 4. The consolidation of the Special Reserve Non-Capital Fund and the Special Reserve Postemployment Benefits Fund with the General Fund due to GASB 54.
- b. Our Special Revenue Funds remained stable from last year.
- c. The Debt Service Funds remained stable from last year.
- d. The Capital Projects Funds increased due to increased State revenue.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

General Fund Budgetary Highlights

Over the course of the year, the District Revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 8, 2011. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had \$123.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2010, the net fixed assets totaled \$96.3 million. This amount represents a net increase (including additions, deductions and depreciation) of just over \$27.2 million.

Table 5

(Amounts in millions)

	Governmental Activities		
	2011	2010	Variance
Land	\$ 13.3	\$ 13.3	\$ -
Construction in progress	43.3	19.8	23.5
Buildings and improvements	63.5	59.4	4.1
Equipment	3.4	3.8	(0.4)
Total	\$ 123.5	\$ 96.3	\$ 27.2

This year's additions of \$30.6 million included several vehicles, land, site and building improvements and classroom equipment such as computers.

Long-Term Obligations

At the end of this year, the District had \$73.3 million in debt outstanding versus \$50.8 million last year, an increase of 44.4 percent. The increase is primarily due to the District offering Public Agency Retirement System (PARS).

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Table 6

(Amounts in millions)	Governmental Activities		
	2011	2010	Variance
General obligation bonds	\$ 70.7	\$ 47.3	\$ 23.4
Compensated absences	0.1	0.1	-
Postemployment benefits	0.8	1.3	(0.5)
Capital lease obligations	0.1	0.1	-
Public agency retirement system	1.6	2.0	(0.4)
Total	\$ 73.3	\$ 50.8	\$ 22.5

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

The State limits the amount of general obligation debt that District's can issue to 35 percent of the assessed value of all taxable property within the District's boundaries.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2010-11 ARE NOTED BELOW:

The District continued in 2010-11 to construct the projects authorized by the approval of Measure M local general obligation bond in November 2008 as bonding capacity allowed. The District spent \$27,034,421 of Measure M funds in 2010-11 of which \$25,424,953 was spent at three locations, Livingston High School, El Capitan High School and Veterans Stadium at Golden Valley High School.

The District began the enlargement of Livingston High School in November 2009. The project included construction of a 15,000 sq. ft. gym, a large quad with landscaping, and a 12 classroom two story building with ten offices. The lease-leaseback bid was awarded for \$23,228,660. This project received State funding. Also at Livingston High the Board awarded contracts to reconstruct Peach Avenue and Lincoln Blvd. in September 2010 and to rebuild parking lots and the cafeteria service yard in January 2011 for a combined bid of \$2,362,936. In October 2010, the District began the development of 19 acres south of Peach Avenue as playfields and a restroom concession building. The project includes development of two soccer fields, three softball fields, parking for 274 vehicles, and a retention basin. The lease-leaseback bid was awarded for \$4,219,128. All three Livingston projects filed Notice of Completion between May 2011 and September 2011. Total expenditures for these projects in 2010-11 were \$14,700,747.

The major project funded by Measure M is the construction of a new high school. In March 2011 the District awarded a lease-leaseback contract to build El Capitan High School for \$76,338,293. Ground breaking occurred in late May 2011. The school is planned to accommodate 2,100 students in 82 classrooms in nine buildings with 200,000 sq. ft. floor area. The school includes 40 acres of playfields/courts, and parking for 500 vehicles on a 54 acre site. The project received State funding. Though only under contract since March and under construction since May, the project has spent \$6,169,233 in 2010-11. The project is scheduled to complete in June 2013.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The other major project for 2010-11 was the major addition to the stadium at Golden Valley High School. The project consisted of adding 3,150 bleacher seats to the existing 850, adding a press box, installing an artificial turf football/soccer field, a rubberized track, high jumps, triple jump, and a pole vault area, and building two restroom/concession buildings. The lease-leaseback bid was awarded in August 2010 for \$4,059,826. The stadium will be shared by the high schools in the City of Merced. Total expenditures in 2010-11 were \$4,554,975.77. Notice of Completion was filed in September 2011.

Other projects completed during 2010-11 include a wrought iron security fence across 1,000 ft of Merced High School frontage for \$188,665 and the replacement of the fire alarm system at East Campus Educational Center for \$305,066 of which \$165,398 was expended in 2010-11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time the District Budget was developed a State budget was not yet adopted. Even though the State continues to struggle with on-going economic crisis issues, the District's 2011-12 budget, adopted on June 8, 2011, was balanced and fiscally sound reflecting a 2.24 percent cost-of-living adjustment (COLA) with a total deficit of 19.754 percent.

Based upon the current budget, the district will be able to meet its financial obligations for 2011-12, two subsequent fiscal years, 2012-13 and 2013-14, and maintain a reserve for economic uncertainties equal to the required 3.0 percent minimum.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 79,817,416
Receivables	21,187,694
Stores inventories	178,816
Nondepreciable capital assets	56,592,662
Capital assets being depreciated	119,324,841
Accumulated depreciation	(52,463,782)
Total Assets	<u>224,637,647</u>
LIABILITIES	
Accounts payable	6,819,846
Deferred revenue	270,640
Current portion of long-term obligations	2,270,766
Noncurrent portion of long-term obligations	71,034,487
Total Liabilities	<u>80,395,739</u>
NET ASSETS	
Invested in capital assets, net of related debt	103,160,070
Restricted for:	
Debt service	2,570,344
Capital projects	3,685,608
Educational programs	2,562,167
Other activities	1,658,810
Unrestricted	30,604,909
Total Net Assets	<u>\$ 144,241,908</u>

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

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 50,081,412	\$ 14,789	\$ 11,465,839	\$ 43,360,251
Instruction-related activities:				
Supervision of instruction	3,096,546	369	1,241,551	-
Instructional library, media and technology	1,247,514	-	196,967	-
School site administration	8,068,447	3	460,111	-
Pupil services:				
Home-to-school transportation	2,123,921	5,799	501,098	-
Food services	4,002,145	522,764	3,226,665	-
All other pupil services	6,678,940	-	932,043	-
General administration:				
Data processing	1,317,007	-	6,705	-
All other general administration	3,827,607	23,544	593,359	-
Plant services	9,665,508	-	110,705	-
Ancillary services	1,630,531	3,493	-	-
Community services	7,638	-	-	-
Enterprise services	244,411	-	-	-
Interest on long-term obligations	2,407,621	-	-	-
Other outgo	2,136,824	555,877	2,092,383	-
Total Governmental-Type Activities	\$ 96,536,072	\$ 1,126,638	\$ 20,827,426	\$ 43,360,251
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Transfers between agencies				
Miscellaneous				
Subtotal, General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

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

**Governmental
Activities**

\$	4,759,467
	(1,854,626)
	(1,050,547)
	(7,608,333)
	(1,617,024)
	(252,716)
	(5,746,897)
	(1,310,302)
	(3,210,704)
	(9,554,803)
	(1,627,038)
	(7,638)
	(244,411)
	(2,407,621)
	511,436
	<u>(31,221,757)</u>
	10,994,479
	4,746,755
	47,433
	59,780,370
	413,661
	32,974
	<u>3,134,949</u>
	<u>79,150,621</u>
	47,928,864
	96,313,044
\$	<u><u>144,241,908</u></u>

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 19,993,078	\$ 51,910,324	\$ 1,179,693
Receivables	20,600,370	48,435	-
Due from other funds	322,407	-	-
Stores inventories	125,492	-	-
Total Assets	<u>\$ 41,041,347</u>	<u>\$ 51,958,759</u>	<u>\$ 1,179,693</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,167,768	\$ 1,448,360	\$ -
Due to other funds	531,178	50,233	-
Deferred revenue	249,891	-	-
Total Liabilities	<u>5,948,837</u>	<u>1,498,593</u>	<u>-</u>
FUND BALANCES			
Nonspendable	145,492	-	-
Restricted	1,936,165	50,460,166	1,179,693
Committed	-	-	-
Assigned	14,471,667	-	-
Unassigned	18,539,186	-	-
Total Fund Balances	<u>35,092,510</u>	<u>50,460,166</u>	<u>1,179,693</u>
Total Liabilities and Fund Balances	<u>\$ 41,041,347</u>	<u>\$ 51,958,759</u>	<u>\$ 1,179,693</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 6,734,321	\$ 79,817,416
538,889	21,187,694
581,878	904,285
53,324	178,816
<u>\$ 7,908,412</u>	<u>\$ 102,088,211</u>
\$ 203,718	\$ 6,819,846
322,874	904,285
20,749	270,640
<u>547,341</u>	<u>7,994,771</u>
-	145,492
5,535,435	59,111,459
1,338,486	1,338,486
487,150	14,958,817
-	18,539,186
<u>7,361,071</u>	<u>94,093,440</u>
<u>\$ 7,908,412</u>	<u>\$ 102,088,211</u>

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MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:

Total Fund Balance - Governmental Funds		\$ 94,093,440
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 175,917,503	
Accumulated depreciation is	(52,463,782)	
Total capital assets		123,453,721
Long-term obligations at year end consist of:		
General obligation bonds - current interest bonds	(50,600,000)	
General obligation bonds - capital appreciation bonds	(20,137,077)	
Net OPEB obligation	(839,125)	
Compensated absences	(96,206)	
Capital lease obligations	(16,740)	
Public agency retirement system	(1,616,105)	
Total long-term obligations		(73,305,253)
Total Net Assets - Governmental Activities		\$ 144,241,908

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

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 61,312,921	\$ -
Federal sources	11,350,762	-
Other state sources	12,306,498	-
Other local sources	3,357,409	369,517
Total Revenues	<u>88,327,590</u>	<u>369,517</u>
EXPENDITURES		
Current		
Instruction	46,657,823	-
Instruction-related activities:		
Supervision of instruction	3,022,026	-
Instructional library, media and technology	1,158,472	-
School site administration	7,543,776	-
Pupil Services:		
Home-to-school transportation	1,976,545	-
Food services	7,498	-
All other pupil services	6,585,865	-
General administration:		
Data processing	1,248,898	-
All other general administration	3,490,205	-
Plant services	8,757,195	-
Facility acquisition and construction	118,110	28,516,749
Ancillary services	1,630,531	-
Community services	7,638	-
Other outgo	2,136,824	-
Enterprise services	244,411	-
Debt service		
Principal	16,740	-
Interest and other	-	-
Total Expenditures	<u>84,602,557</u>	<u>28,516,749</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,725,033</u>	<u>(28,147,232)</u>
Other Financing Sources (Uses):		
Transfers in	5,251,618	48,310,251
Other sources	-	25,462,565
Transfers out	(5,247,700)	(4,950,000)
Net Financing Sources (Uses)	<u>3,918</u>	<u>68,822,816</u>
NET CHANGE IN FUND BALANCES	3,728,951	40,675,584
Fund Balance - Beginning as Restated	31,363,559	9,784,582
Fund Balance - Ending	<u>\$ 35,092,510</u>	<u>\$ 50,460,166</u>

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 61,312,921
-	3,616,695	14,967,457
43,360,251	2,547,506	58,214,255
62,736	6,180,641	9,970,303
<u>43,422,987</u>	<u>12,344,842</u>	<u>144,464,936</u>
-	1,725,757	48,383,580
-	86,004	3,108,030
-	-	1,158,472
-	497,288	8,041,064
-	5,974	1,982,519
-	3,944,140	3,951,638
-	73,838	6,659,703
-	-	1,248,898
-	269,969	3,760,174
-	558,655	9,315,850
-	1,827,130	30,461,989
-	-	1,630,531
-	-	7,638
-	-	2,136,824
-	-	244,411
-	3,193,680	3,210,420
-	1,277,520	1,277,520
-	13,459,955	126,579,261
<u>43,422,987</u>	<u>(1,115,113)</u>	<u>17,885,675</u>
-	297,700	53,859,569
-	-	25,462,565
(43,360,251)	(301,618)	(53,859,569)
<u>(43,360,251)</u>	<u>(3,918)</u>	<u>25,462,565</u>
62,736	(1,119,031)	43,348,240
1,116,957	8,480,102	50,745,200
<u>\$ 1,179,693</u>	<u>\$ 7,361,071</u>	<u>\$ 94,093,440</u>

MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds **\$ 43,348,240**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlays	\$ 30,572,837	
Depreciation expense	<u>(3,454,994)</u>	27,117,843

Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds. (4,655)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of \$1,130,101 of additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds. (1,130,121)

In the Statement of Activities compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$2,111. (2,111)

In the Statement of Activities, certain operating expenses - early retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 404,026

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities such as the sale of general obligation bonds:

Sale of general obligation bonds		(25,462,545)
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The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2011

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

General obligation bonds	\$ 3,165,000
Capital lease obligations	45,420

In governmental funds, Postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

	447,767
Change in Net Assets of Governmental Activities	<u>\$ 47,928,864</u>

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

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Private- Purpose Trusts	Agency		Total
	Scholarships	Deferred Compensation	Student Body	
ASSETS				
Deposits and investments	\$ 1,241,214	\$ 2,129,964	\$ 679,752	\$ 4,050,930
Total Assets	<u>\$ 1,241,214</u>	<u>\$ 2,129,964</u>	<u>\$ 679,752</u>	<u>\$ 4,050,930</u>
LIABILITIES				
Due to student groups and employees	\$ -	\$ 2,129,964	\$ 679,752	\$ 2,809,716
Total Liabilities	<u>-</u>	<u>2,129,964</u>	<u>679,752</u>	<u>2,809,716</u>
NET ASSETS				
Reserved for scholarships	1,241,214	-	-	1,241,214
Total Net Assets	<u>\$ 1,241,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,241,214</u>

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

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Private- Purpose Trusts</u> <u>Scholarships</u>
ADDITIONS	
Trust income	\$ 319,356
Contributions	50
Interest	14,307
Total Additions	<u>333,713</u>
DEDUCTIONS	
Scholarships awarded	481,409
Total Deductions	<u>481,409</u>
Change in Net Assets	(147,696)
Net Assets - Beginning	1,388,910
Net Assets - Ending	<u>\$ 1,241,214</u>

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

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District is currently operating schools in the cities of Atwater, Livingston and Merced. The City of Merced has three campuses. Merced High School and Golden Valley High Schools have classes at the ninth through twelfth grade levels. East Campus Educational Center (ECEC) supports five educational programs: Yosemite High School which serves as the District's continuation school; Sequoia High School which serves as the District's community day school, Independence High School which provides independent study opportunities; classes for students from Merced and Golden Valley High School; and the main facility for the Adult School Program is located at ECEC. The City of Atwater has two campuses. Atwater High School has classes at the ninth through twelfth grade levels. Buhach Colony High School opened in August of 2001 with classes at the ninth through twelfth grade levels. The City of Livingston has one campus. Livingston High School has classes at the ninth through twelfth grade levels.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Merced Union High School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$16,853,324, \$16,931,355, and \$174,922, respectively, with no change in expenditures.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Pupil Transportation Equipment Fund The Pupil Transportation Equipment Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

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

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

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

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

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds.

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from certain special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for land, buildings and land improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

Interfund Balances

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has no related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$10,476,929 of restricted net assets.

Interfund Activity

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

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Estimates

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

Budgetary Data

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

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

Property Tax

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

Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 79,817,416
Fiduciary funds	4,050,930
Total Deposits and Investments	<u>\$ 83,868,346</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 1,927,345
Cash in revolving	21,352
Investments	81,919,649
Total Deposits and Investments	<u>\$ 83,868,346</u>

Policies and Practices

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

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

General Authorizations

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

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

Interest Rate Risk

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

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Funds	\$ 2,129,964	\$ 2,129,964	\$ -	\$ -	\$ -
County Pool	79,789,685	79,789,685	-	-	-
Total	<u>\$ 81,919,649</u>	<u>\$ 81,919,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Mutual Funds	\$ 2,129,964	N/A	\$ -	\$ -	\$ 2,129,964
County Pool	79,789,685	N/A	-	-	79,789,685
Total	<u>\$ 81,919,649</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,919,649</u>

N/A - Not applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, \$1,305,538 of the District's bank balances were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Mutual Funds of \$2,129,964, the District has a custodial credit risk exposure of \$1,879,964, because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal Government				
Categorical aid	\$ 2,774,771	\$ -	\$ 421,461	\$ 3,196,232
State Government				
Apportionment	15,283,599	-	46,650	15,330,249
Categorical aid	1,644,777	48,435	-	1,693,212
Lottery	734,829	-	-	734,829
Local Sources	162,394	-	70,778	233,172
Total	<u>\$ 20,600,370</u>	<u>\$ 48,435</u>	<u>\$ 538,889</u>	<u>\$ 21,187,694</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,296,486	\$ -	\$ -	\$ 13,296,486
Construction in progress	19,786,950	29,224,711	5,715,485	43,296,176
Total Capital Assets Not Being Depreciated	<u>33,083,436</u>	<u>29,224,711</u>	<u>5,715,485</u>	<u>56,592,662</u>
Capital Assets being depreciated				
Land improvements	14,818,580	441,820	-	15,260,400
Buildings and improvements	85,033,283	6,490,022	-	91,523,305
Furniture and equipment	12,442,420	131,769	33,053	12,541,136
Total Capital Assets Being Depreciated	<u>112,294,283</u>	<u>7,063,611</u>	<u>33,053</u>	<u>119,324,841</u>
Less Accumulated Depreciation				
Land improvements	9,995,158	501,603	-	10,496,761
Buildings and improvements	30,420,564	2,389,014	-	32,809,578
Furniture and equipment	8,621,464	564,377	28,398	9,157,443
Total Accumulated Depreciation	<u>49,037,186</u>	<u>3,454,994</u>	<u>28,398</u>	<u>52,463,782</u>
Governmental Activities Capital Assets, Net	<u>\$ 96,340,533</u>	<u>\$ 32,833,328</u>	<u>\$ 5,720,140</u>	<u>\$ 123,453,721</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,376,678
Supervision of instruction	1,259
Instructional library, media, and technology	96,142
School site administration	71,038
Home-to-school transportation	210,702
Food services	83,945
All other pupil services	19,237
Data processing	73,489
All other general administration	79,794
Plant services	442,710
Total Depreciation Expenses Governmental Activities	<u>\$ 3,454,994</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2011, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 322,407	\$ 531,178
Building	-	50,233
Total Major Governmental Funds	<u>322,407</u>	<u>581,411</u>
Non-Major Governmental Funds		
Adult	515,559	80,985
Child Development	-	34,191
Cafeteria	16,086	207,698
Capital Facilities	50,233	-
Total Non-Major Governmental Funds	<u>581,878</u>	<u>322,874</u>
Total All Governmental Funds	<u>\$ 904,285</u>	<u>\$ 904,285</u>

The General Fund owes the Cafeteria Fund for food service expenses.	\$ 3,920
The General Fund owes the Cafeteria Fund for indirect costs.	11,699
The General Fund owes the Adult Fund for flexibility transfers.	515,559
The Adult Fund owes the General Fund for indirect costs.	57,637
The Child Development Fund owes the General Fund for indirect costs.	27,145
The Cafeteria Fund owes the General Fund for indirect costs.	186,263
The Building Fund owes the Capital Facilities Fund for construction expenses.	50,233
The Adult Fund owes the General Fund for retiree health cost distribution.	22,950
The Child Development Fund owes the General Fund for retiree health cost distribution.	6,370
The Cafeteria Fund owes the General Fund for retiree health cost distribution.	21,435
The Adult Fund owes the General Fund for transportation costs.	398
The Child Development Fund owes the General Fund for transportation costs.	209
The Child Development Fund owes the Cafeteria Fund for food service expenses.	467
Total	<u>\$ 904,285</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

The General Fund transferred to the Cafeteria Fund for a temporary loan.	\$ 297,700
The Cafeteria Fund transferred to the General Fund to repay a temporary loan.	301,618
The General Fund transferred to the Building Fund for a temporary loan.	4,950,000
The County School Facilities Fund transferred to the Building Fund State grant funds.	43,360,251
The Building Fund transferred to the General Fund to repay a temporary loan.	4,950,000
Total	<u>\$ 53,859,569</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,299,033	\$ 1,448,360	\$ 171,204	\$ 3,918,597
Salaries and benefits payable	1,465,554	-	32,514	1,498,068
Deferred payroll	1,403,181	-	-	1,403,181
Total	<u>\$ 5,167,768</u>	<u>\$ 1,448,360</u>	<u>\$ 203,718</u>	<u>\$ 6,819,846</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 239,562	\$ 20,749	\$ 260,311
State categorical aid	10,329	-	10,329
Total	<u>\$ 249,891</u>	<u>\$ 20,749</u>	<u>\$ 270,640</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2010	Additions and Accretion	Deductions	Balance June 30, 2011	Due in One Year
1999 Current Interest Bonds, Series A	\$ 5,205,000	\$ -	\$ 1,615,000	\$ 3,590,000	\$ 1,730,000
1999 Capital Appreciation Bonds, Series A	16,956,841	970,112	-	17,926,953	-
2009 Current Interest Bonds, Series A	23,560,000	-	1,550,000	22,010,000	120,000
2009 Capital Appreciation Bonds, Series A	1,587,570	137,796	-	1,725,366	-
2011 Current Interest Bonds, Series B-1	-	25,000,000	-	25,000,000	-
2011 Capital Appreciation Bonds, Series B	-	484,758	-	484,758	-
Compensated absences	94,095	2,111	-	96,206	-
Capital leases	62,160	-	45,420	16,740	16,740
Other postemployment benefits	1,286,892	1,042,056	1,489,823	839,125	-
Public agency retirement system	2,020,131	-	404,026	1,616,105	404,026
Total	<u>\$ 50,772,689</u>	<u>\$ 27,636,833</u>	<u>\$ 5,104,269</u>	<u>\$ 73,305,253</u>	<u>\$ 2,270,766</u>

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from the assessment on property owners in the applicable boundaries. The Capital Leases are paid through the General Fund and Capital Facilities Fund. The compensated absences liability is paid through the fund that the employee worked. The Other Postemployment Benefits and Public Agency Retirement System obligations are paid for by the General Fund.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2011
Current Interest								
Series A	08/01/99	08/01/12	4.5-5.5%	\$ 10,610,000	\$ 5,205,000	\$ -	\$(1,615,000)	\$ 3,590,000
Capital Appreciation								
Series A	08/01/99	08/01/24	5.4-5.75%	13,573,396	16,956,841	970,112	-	17,926,953
Current Interest								
Series A	04/17/09	08/01/29	2.0-5.0%	23,560,000	23,560,000	-	(1,550,000)	22,010,000
Capital Appreciation								
Series A	04/17/09	08/01/34	5.4-5.75%	1,439,944	1,587,570	137,796	-	1,725,366
Current Interest								
Series B-1	02/16/11	8/1/25	5.379-6.716%	25,000,000	-	25,000,000	-	25,000,000
Capital Appreciation								
Series B-1	02/16/11	8/1/27	7.05-7.15%	462,545	-	484,758	-	484,758
Total				<u>\$74,645,885</u>	<u>\$47,309,411</u>	<u>\$26,592,666</u>	<u>\$(3,165,000)</u>	<u>\$70,737,077</u>

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,631,061, are being issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes levied and collected by the County of Merced.

Interest with respect to the Current Interest Series A Bonds accrues from August 1, 1999, and is payable semiannually commencing February 1, 2000. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000. Both series are issuable as fully registered Series A bonds.

The Merced Union High School District 2009 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,999,994, are being issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes levied and collected by the County of Merced.

Interest with respect to the Current Interest Series A Bonds accrues from August 1, 2009, and is payable semiannually commencing February 1, 2010. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2009 with the exception of the Capital Accretion Bonds which mature May 1, 2034 which compound semiannually on May 1 and November 1 of each year, commencing November 1, 2009. Both series are issuable as fully registered Series A bonds.

MERCED UNION HIGH SCHOOL DISTRICT

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The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of \$462,564.60 (the "Series B Bonds") and the Merced Union High School District Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds - Direct Payment to District) (Federally Taxable) in the aggregate principal amount of \$25,000,000 (the "Series B-1 Bonds," together with the Series B Bonds, the "Bonds," were authorized at an election of the registered voters of the District held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds.

Interest with respect to the Current Interest Bonds accrues from the date of initial delivery thereof and is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2011. The Current Interest Bonds are issuable as fully registered Bonds in denomination of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of initial delivery thereof and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof, except for one odd denomination if necessary.

Debt Service Requirements to Maturity

1999 Current Interest, Series A - Payment Summary

The bonds mature through 2013 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2012	\$ 1,730,000	\$ 140,035	\$ 1,870,035
2013	1,860,000	48,825	1,908,825
Total	\$ 3,590,000	\$ 188,860	\$ 3,778,860

1999 Capital Appreciation, Series A - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2014	\$ 1,798,000	\$ 202,000	\$ 2,000,000
2015	1,737,841	307,159	2,045,000
2016	1,679,106	410,894	2,090,000
2017	1,623,404	516,596	2,140,000
2018	1,564,023	620,977	2,185,000
2019-2023	7,035,756	4,659,244	11,695,000
2024-2025	2,488,823	2,566,177	5,055,000
Total	\$ 17,926,953	\$ 9,283,047	\$ 27,210,000

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2009 Current Interest, Series A - Payment Summary:

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 120,000	\$ 1,067,887	\$ 1,187,887
2013	150,000	1,064,437	1,214,437
2014	195,000	1,029,262	1,224,262
2015	275,000	1,022,212	1,297,212
2016	365,000	1,012,612	1,377,612
2017-2021	3,440,000	4,754,780	8,194,780
2022-2026	7,325,000	3,548,625	10,873,625
2027-2030	10,140,000	1,085,250	11,225,250
Total	<u>\$ 22,010,000</u>	<u>\$ 14,585,065</u>	<u>\$ 36,595,065</u>

2009 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2031	\$ 947,920	\$ 2,332,080	\$ 3,280,000
2032	490,698	3,019,302	3,510,000
2033	-	-	-
2034	-	-	-
2035	286,748	3,893,252	4,180,000
Total	<u>\$ 1,725,366</u>	<u>\$ 9,244,634</u>	<u>\$ 10,970,000</u>

2011 Current Interest, Series B-1 - Payment Summary

The bonds mature through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ -	\$ 613,465	\$ 613,465
2013	-	1,492,212	1,492,212
2014	-	1,492,212	1,492,212
2015	-	1,492,212	1,492,212
2016	-	1,492,212	1,492,212
2017-2021	14,865,000	5,606,311	20,471,311
2022-2026	10,135,000	2,104,761	12,239,761
Total	<u>\$ 25,000,000</u>	<u>\$ 14,293,385</u>	<u>\$ 39,293,385</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2011 Capital Appreciation, Series B - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2027	\$ 245,622	\$ 1,164,378	\$ 1,410,000
2028	239,136	1,170,864	1,410,000
Total	<u>\$ 484,758</u>	<u>\$ 2,335,242</u>	<u>\$ 2,820,000</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$96,206.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2010	\$ 62,160
Payments	45,420
Balance, June 30, 2011	<u>\$ 16,740</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2012	<u>\$ 17,327</u>
Total	17,327
Less: Amount Representing Interest	587
Present Value of Minimum Lease Payments	<u>\$ 16,740</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$1,036,478, and contributions made by the District during the year were \$1,489,823. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$64,345 and \$(58,767), respectively, which resulted in a decrease to the net OPEB obligation of \$447,767. As of June 30, 2011, the net OPEB obligation was \$839,125. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Early Retirement

The District has obligations to the Public Agency Retirement System totaling \$1,616,105 for early retirement incentives granted to terminated employees. Payments will be made annually in the amount of \$404,026 for five years. There are four years remaining on the agreement.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventories	125,492	-	-	-	125,492
Total Nonspendable	145,492	-	-	-	145,492
Restricted					
Legally restricted programs	1,936,165	-	-	946,326	2,882,491
Capital projects	-	50,460,166	1,179,693	2,018,765	53,658,624
Debt services	-	-	-	2,570,344	2,570,344
Total Restricted	1,936,165	50,460,166	1,179,693	5,535,435	59,111,459
Committed					
Adult education programs	-	-	-	544,289	544,289
Deferred maintenance program	-	-	-	651,095	651,095
Other	-	-	-	143,102	143,102
Total Committed	-	-	-	1,338,486	1,338,486
Assigned					
Future E-Rate Projects	677,345	-	-	-	677,345
Other postemployment benefits	10,638,763	-	-	-	10,638,763
Self-pay retiree health coverage	433,093	-	-	-	433,093
Health Grant - LHS & GVHS	10,000	-	-	-	10,000
Technology Refresh	70,980	-	-	-	70,980
Hourly Programs	926,092	-	-	-	926,092
Flex - Instructional Materials	798,222	-	-	-	798,222
Flex - Instructional Program Support	637,320	-	-	-	637,320
Flex - Safety	79,294	-	-	-	79,294
Flex - CAHSEE	87,633	-	-	-	87,633
Flex - Teacher Credentialing	108,074	-	-	-	108,074
Capital projects	-	-	-	487,150	487,150
Other	4,851	-	-	-	4,851
Total Assigned	14,471,667	-	-	487,150	14,958,817
Unassigned					
Reserve for economic uncertainties	5,924,188	-	-	-	5,924,188
Remaining unassigned	12,614,998	-	-	-	12,614,998
Total Unassigned	18,539,186	-	-	-	18,539,186
Total	\$ 35,092,510	\$ 50,460,166	\$ 1,179,693	\$ 7,361,071	\$ 94,093,440

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Other outgo	\$ 713,185	\$ 1,866,855	\$ 1,153,670

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Merced Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 124 retirees and beneficiaries currently receiving benefits and 781 active plan members.

Contribution Information

For fiscal year 2010-11, the District contributed \$1,489,823 to the plan, all of which was used for current premiums (approximately 77.9 percent of total premiums). Plan members receiving benefits contributed \$422,617, or approximately 22.1 percent of the total premiums. Contributions made by retirees range between \$15 to \$700 per month depending on when the retiree retired and the coverage selected.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,036,478
Interest on net OPEB obligation	64,345
Adjustment to annual required contribution	(58,767)
Annual OPEB cost (expense)	1,042,056
Contributions made	(1,489,823)
Decrease in net OPEB obligation	(447,767)
Net OPEB obligation, beginning of year	1,286,892
Net OPEB obligation, end of year	\$ 839,125

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,042,056	\$ 1,489,823	1.43	\$ 839,125
2010	\$ 2,456,578	\$ 1,771,366	0.72	\$ 1,286,892
2009	\$ 1,263,610	\$ 1,512,381	1.20	\$ 601,680

Funded Status and Funding Progress

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

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 June 30, 2010, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates used four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2010, was 28 years.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, the District contracted with Self Insured Schools of California for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2011, the District participated in the Merced County Schools Insurance Group, an insurance purchasing pool. The intent of the Merced County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Merced County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Merced County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Merced County Schools Insurance Group. Participation in the Merced County Schools Insurance Group is limited to districts that can meet the Merced County Schools Insurance Group selection criteria.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California Health and Welfare Program to provide employee health benefits. Self Insured Schools of California Health and Welfare Program is a shared risk pool comprised of agencies within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$3,256,981, \$3,451,224, and \$3,583,153, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$1,430,286, \$1,358,164, and \$1,307,728, respectively, and equal 100 percent of the required contributions for each year.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,684,549 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
AHS Gym	\$ 6,647,564	Uncertain
Golden Valley High School Stadium	832,958	December 2011
Livingston High School Enlargement Phase I	159,147	July 2011
Merced High School Gym	5,765,028	Uncertain
El Capitan High School	71,809,431	June 2013
Tyler & Gerard Road School Site	131,856,335	June 2017
Livingston High School Road Improvement	2,043,858	July 2011
Livingston High School Parking Lot	930	July 2011
Total	<u>\$ 219,115,251</u>	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self-Insured Schools of California (SISC III), the Self-Insured Schools of California (SISC II), and the Merced County Schools Insurance Group (MCSIG) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

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

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2011, the District made payment of \$8,551,121 to SISC III for medical, dental and vision insurance.

The District has no appointed members to the governing board of SISC II.

During the year ended June 30, 2011, the District made payment of \$417,756 to SISC II for property and liability insurance.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The District has appointed two members to the governing board of MCSIG.

During the year ended June 30, 2011, the District made payment of \$556,631 to MCSIG for workers' compensation insurance.

NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 17 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Special Reserve Non-Capital Fund have been restated as of June 30, 2011, to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for the Special Reserve Non-Capital Fund is reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund, as discussed in Note 1.

General Fund

Fund Balance - Beginning	\$ 14,714,954
Change in accounting principles to conform to GASB Statement No. 54	16,648,605
Fund Balance - Beginning as Restated	<u>\$ 31,363,559</u>

Special Reserve Non-Capital Fund

Fund Balance - Beginning	\$ 16,648,605
Change in accounting principles to conform to GASB Statement No. 54	(16,648,605)
Fund Balance - Beginning as Restated	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

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MERCED UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
	REVENUES			
Revenue limit sources	\$ 57,868,163	\$ 61,238,826	\$ 61,312,921	\$ 74,095
Federal sources	9,371,813	11,837,041	11,350,762	(486,279)
Other state sources	11,898,872	11,132,653	12,306,498	1,173,845
Other local sources	1,452,014	1,467,802	1,672,860	205,058
Total Revenues ¹	<u>80,590,862</u>	<u>85,676,322</u>	<u>86,643,041</u>	<u>966,719</u>
EXPENDITURES				
Current				
Certificated Salaries	38,682,029	42,483,147	39,783,291	2,699,856
Classified salaries	13,189,746	13,484,757	13,480,919	3,838
Employee benefits	16,017,498	17,126,046	17,032,436	93,610
Books and supplies	7,684,400	6,018,914	3,714,397	2,304,517
Services and operating expenditures	9,283,664	8,569,550	6,830,310	1,739,240
Other outgo	359,839	713,185	1,866,855	(1,153,670)
Capital outlay	137,979	234,329	193,060	41,269
Debt service	40,981	40,981	16,740	24,241
Total Expenditures ¹	<u>85,396,136</u>	<u>88,670,909</u>	<u>82,918,008</u>	<u>5,752,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,805,274)</u>	<u>(2,994,587)</u>	<u>3,725,033</u>	<u>6,719,620</u>
Other Financing Sources (Uses):				
Transfers in	2,479,648	2,653,000	5,251,618	2,598,618
Transfers out	(300,000)	(2,507,827)	(5,247,700)	(2,739,873)
Net Financing Sources (Uses)	<u>2,179,648</u>	<u>145,173</u>	<u>3,918</u>	<u>(141,255)</u>
NET CHANGE IN FUND BALANCES	<u>(2,625,626)</u>	<u>(2,849,414)</u>	<u>3,728,951</u>	<u>6,578,365</u>
Fund Balance - Beginning as Restated	<u>31,363,559</u>	<u>31,363,559</u>	<u>31,363,559</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 28,737,933</u>	<u>\$ 28,514,145</u>	<u>\$ 35,092,510</u>	<u>\$ 6,578,365</u>

¹ On behalf payments of \$1,684,549 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
May 1, 2010	\$ -	\$ 10,638,763	\$ 10,638,763	0%	\$ 56,382,885	18.87%
June 23, 2008	\$ -	\$ 13,572,787	\$ 13,572,787	0%	\$ 59,956,720	22.64%

SUPPLEMENTARY INFORMATION

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MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
F.I.E. Earmark Grant Awards	84.215K	[1]	\$ 89,028
Readiness and Emergency Management for Schools	84.184E	[1]	11,671
Passed through California Department of Education (CDE):			
Adult Education - Basic	84.002A	14508	187,881
Adult Education - Secondary Education	84.002	13978	23,933
Adult Education - English Literacy	84.002A	14109	59,573
Adult Education - Section 132	84.048	14893	7,574
No Child Left Behind			
Title I Cluster			
Title I - Part A, Basic	84.010	14981	3,329,876
ARRA: Title I - Part A, Basic	84.389	15005	524,118
Subtotal, Title I Cluster			<u>3,853,994</u>
Title II - Improving Teacher Quality	84.367	14341	374,180
Title II - Enhancing Education through Technology	84.318	14334	1,299
ARRA: Title II - Enhancing Education Through Technology	84.386	15019	49,970
Title III - Immigrant Education	84.365	15146	3,888
Title III - LEP	84.365	14346	191,463
Title IV - Drug Free Schools	84.186	14347	72,815
Education of Homeless Children and Youth Cluster			
Title X, McKinney-Vento Homeless	84.196	14332	28,105
ARRA: Title X, McKinney-Vento Homeless	84.387	15007	6,357
Subtotal, Education of Homeless			<u>34,462</u>
Advanced Placement Fee Assistance	84.330	14831	25,664
ARRA: State Fiscal Stabilization Fund	84.394	25008	700,347
Education Jobs & Medicaid Assistance Act	84.410	25152	2,285,370
Special Education Cluster			
Local Assistance	84.027	13379	1,925,995
ARRA IDEA Part B, Section 611, Local Assistance	84.391	15003	1,339,586
Subtotal, Special Education Cluster			<u>3,265,581</u>
Vocational Educational Grants			
Vocational and Applied Technology	84.048	14893	333,411
Total U.S. Department of Education			<u>11,572,104</u>
U.S. DEPARTMENT OF LABOR			
Passed through Merced County Department of Workforce Investment:			
Workforce Investment Act	17.259	[1]	65,610
Total U.S. Department of Labor			<u>65,610</u>

[1] Pass-Through Entity Identifying Number not available
See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Child Nutrition School Programs-Needy Breakfast	10.553	13526	\$ 869,831
Child Nutrition School Programs-Lunch	10.555	13391	2,386,244
Food Distribution Program	10.555	13391	202,080
Subtotal, Child Nutrition Cluster			<u>3,458,155</u>
Child Nutrition School Programs-Family Day Care	10.558	13665	15,350
Total U.S. Department of Agriculture			<u>3,473,505</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
ARRA: Child Development, Quality Improvement	93.713	15010	698
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	57,620
Total U.S. Department of Health and Human Services			<u>58,318</u>
Total Federal Financial Assistance			<u>\$ 15,169,537</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2011

ORGANIZATION

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates six high schools, one continuation school, one community day school, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Sam Spangler	President	2012
Tim O'Neill	Vice President	2014
Ida M. Johnson	Clerk	2014
Mike Carpenter	Member	2012
Dave Honey	Member	2014

ADMINISTRATION

V. Scott Scambray	Superintendent
Leonard Kahn	Assistant Superintendent/CBO
Yvonne Eagle	Director of Fiscal Services

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Second Period Report</u>	<u>Annual Report</u>
SECONDARY		
Regular classes	9,177.88	9,116.80
Continuation education	319.86	316.43
Home and hospital	8.56	9.78
Special education	235.38	234.16
Community day	103.68	109.63
Total	<u>9,845.36</u>	<u>9,786.80</u>

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2010-11	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	61,195	59,495	64,800	63,000				
Grade 9					64,826	180	N/A	Complied
Grade 10					64,826	180	N/A	Complied
Grade 11					64,826	180	N/A	Complied
Grade 12					64,826	180	N/A	Complied

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	(Budget) 2012 ¹	2011 ³	2010 ³	2009 ³
GENERAL FUND				
Revenues	\$ 80,507,790	\$ 86,468,119	\$ 83,253,391	\$ 90,668,953
Other sources and transfers in	1,363,000	2,479,648	711,696	2,246,218
Total Revenues and Other Sources	81,870,790	88,947,767	83,965,087	92,915,171
Expenditures	82,620,500	82,918,008	83,071,539	89,791,785
Other uses and transfers out	300,000	2,505,527	569,518	685,018
Total Expenditures and Other Uses	82,920,500	85,423,535	83,641,057	90,476,803
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ (1,049,710)</u>	<u>\$ 3,524,232</u>	<u>\$ 324,030</u>	<u>\$ 2,438,368</u>
ENDING FUND BALANCE	<u>\$ 17,189,476</u>	<u>\$ 18,239,186</u>	<u>\$ 14,714,954</u>	<u>\$ 14,390,924</u>
AVAILABLE RESERVES²	<u>\$ 5,849,097</u>	<u>\$ 5,924,188</u>	<u>\$ 2,509,232</u>	<u>\$ 2,714,304</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>7.05%</u>	<u>6.94%</u>	<u>3.00%</u>	<u>3.00%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 73,305,253</u>	<u>\$ 50,772,689</u>	<u>\$ 48,583,307</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>9,837</u>	<u>9,845</u>	<u>9,939</u>	<u>10,036</u>

The General Fund balance has increased by \$3,848,262 over the past two years. The fiscal year 2011-12 budget projects a decrease of \$1,049,710 (5.76 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2011-12 fiscal year. Total long-term obligations have increased by \$24,721,946 over the past two years, primarily due to the issuance of General Obligation Bonds.

Average daily attendance has decreased by 191 over the past two years. A decrease of eight ADA is anticipated during fiscal year 2011-12.

¹ Budget 2012 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments have been excluded from this schedule.

⁴ General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2011

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 108,886	\$ 85,566	\$ 594,730	\$ 718,135
Receivables	54,309	10,223	474,357	-
Due from other funds	515,559	-	16,086	-
Stores inventories	-	-	53,324	-
Total Assets	<u>\$ 678,754</u>	<u>\$ 95,789</u>	<u>\$ 1,138,497</u>	<u>\$ 718,135</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,807	\$ 6,809	\$ 66,186	\$ 67,040
Due to other funds	80,985	34,191	207,698	-
Deferred revenue	20,749	-	-	-
Total Liabilities	<u>107,541</u>	<u>41,000</u>	<u>273,884</u>	<u>67,040</u>
Fund Balances:				
Restricted	26,924	54,789	864,613	-
Committed	544,289	-	-	651,095
Assigned	-	-	-	-
Total Fund Balances	<u>571,213</u>	<u>54,789</u>	<u>864,613</u>	<u>651,095</u>
Total Liabilities and Fund Balances	<u>\$ 678,754</u>	<u>\$ 95,789</u>	<u>\$ 1,138,497</u>	<u>\$ 718,135</u>

See accompanying note to supplementary information.

<u>Pupil Transportation Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 143,102	\$ 1,990,515	\$ 523,043	\$ 2,499,331	\$ 71,013	\$ 6,734,321
-	-	-	-	-	538,889
-	50,233	-	-	-	581,878
-	-	-	-	-	53,324
<u>\$ 143,102</u>	<u>\$ 2,040,748</u>	<u>\$ 523,043</u>	<u>\$ 2,499,331</u>	<u>\$ 71,013</u>	<u>\$ 7,908,412</u>
\$ -	\$ 21,983	\$ 35,893	\$ -	\$ -	\$ 203,718
-	-	-	-	-	322,874
-	-	-	-	-	20,749
<u>-</u>	<u>21,983</u>	<u>35,893</u>	<u>-</u>	<u>-</u>	<u>547,341</u>
-	2,018,765	-	2,499,331	71,013	5,535,435
143,102	-	-	-	-	1,338,486
-	-	487,150	-	-	487,150
<u>143,102</u>	<u>2,018,765</u>	<u>487,150</u>	<u>2,499,331</u>	<u>71,013</u>	<u>7,361,071</u>
<u>\$ 143,102</u>	<u>\$ 2,040,748</u>	<u>\$ 523,043</u>	<u>\$ 2,499,331</u>	<u>\$ 71,013</u>	<u>\$ 7,908,412</u>

MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2011

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ 344,572	\$ 16,048	\$ 3,256,075	\$ -
Other state sources	1,396,351	489,667	279,815	381,673
Other local sources	482,655	15,885	676,141	6,881
Total Revenues	<u>2,223,578</u>	<u>521,600</u>	<u>4,212,031</u>	<u>388,554</u>
EXPENDITURES				
Current				
Instruction	1,235,639	490,118	-	-
Instruction-related activities:				
Supervision of instruction	86,004	-	-	-
School site administration	497,288	-	-	-
Pupil Services:				
Home-to school transportation	-	-	-	-
Food services	-	11,918	3,932,222	-
All other pupil services	15,949	57,889	-	-
General administration:				
All other general administration	68,260	27,145	174,564	-
Plant services	132,051	519	26,268	84,163
Facility acquisition and construction	-	-	-	452,920
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>2,035,191</u>	<u>587,589</u>	<u>4,133,054</u>	<u>537,083</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>188,387</u>	<u>(65,989)</u>	<u>78,977</u>	<u>(148,529)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	297,700	-
Transfers out	-	-	(301,618)	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,918)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	188,387	(65,989)	75,059	(148,529)
Fund Balance - Beginning as Restated	382,826	120,778	789,554	799,624
Fund Balance - Ending	<u>\$ 571,213</u>	<u>\$ 54,789</u>	<u>\$ 864,613</u>	<u>\$ 651,095</u>

See accompanying note to supplementary information.

<u>Pupil Transportation Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,616,695
-	-	-	-	-	2,547,506
1,656	187,407	60,611	4,748,603	802	6,180,641
<u>1,656</u>	<u>187,407</u>	<u>60,611</u>	<u>4,748,603</u>	<u>802</u>	<u>12,344,842</u>
-	-	-	-	-	1,725,757
-	-	-	-	-	86,004
-	-	-	-	-	497,288
5,974	-	-	-	-	5,974
-	-	-	-	-	3,944,140
-	-	-	-	-	73,838
-	-	-	-	-	269,969
-	315,654	-	-	-	558,655
-	1,003,724	370,486	-	-	1,827,130
-	28,680	-	3,165,000	-	3,193,680
-	1,531	-	1,275,989	-	1,277,520
<u>5,974</u>	<u>1,349,589</u>	<u>370,486</u>	<u>4,440,989</u>	<u>-</u>	<u>13,459,955</u>
<u>(4,318)</u>	<u>(1,162,182)</u>	<u>(309,875)</u>	<u>307,614</u>	<u>802</u>	<u>(1,115,113)</u>
-	-	-	-	-	297,700
-	-	-	-	-	(301,618)
-	-	-	-	-	(3,918)
<u>(4,318)</u>	<u>(1,162,182)</u>	<u>(309,875)</u>	<u>307,614</u>	<u>802</u>	<u>(1,119,031)</u>
147,420	3,180,947	797,025	2,191,717	70,211	8,480,102
<u>\$ 143,102</u>	<u>\$ 2,018,765</u>	<u>\$ 487,150</u>	<u>\$ 2,499,331</u>	<u>\$ 71,013</u>	<u>\$ 7,361,071</u>

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 JUNE 30, 2011

ASSETS	Scholarships
Deposits and investments	\$ 1,241,214
Total Cash and Assets	<u>\$ 1,241,214</u>
LIABILITIES	
NET ASSETS	
Reserved for scholarships	
Non-Expendable:	
Acker Scholarship	\$ 31,653
Alvernaz Scholarship	20,288
Beal Scholarship	10,697
Callister Scholarship	3,023
Cavaiani Scholarship	10,507
Chamberlain Scholarship	6,566
Landram Scholarship	26,542
Montano Scholarship	7,688
Mudd Scholarship	21,551
Okuda Scholarship	10,174
Roberts Scholarship	9,213
Roveto Scholarship	185,627
Weimer Scholarship	10,912
Expendable:	
AARP Scholarship	4,831
Al Dibblee Scholarship	34,403
Barnes Scholarship	14,956
Bloss Scholarship	480,534
Bob Thompson Scholarship	1,256
Brewer, James Memorial Scholarship	17,230
Brewer, Pamela Scholarship	16,979
Broussard Scholarship	2,892
Brown Scholarship	36,939
Church Scholarship	11,035
Crookham Scholarship	2,008
Dallas Scholarship	4,683
Fancher Scholarship	78,754
Fite Scholarship	385
Gear Up Scholarship	3
Granado Scholarship	(77)
Jackson Scholarship	2,732

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS, Continued
JUNE 30, 2011

NET ASSETS, Continued

Reserved for scholarships

Scholarships

Expendable:

Joyner Scholarship	\$ 109
Kiwanis Scholarship	281
Lau Scholarship	5,135
Lockwood Scholarship	9,734
Martinelli Scholarship	284
McCollum Scholarship	3,388
McPherson-Hanson Scholarship	132
Mitchell Scholarship	146
Moberly Scholarship	5,531
Newhall Scholarship	28,024
Prince Scholarship	101,538
Rohm Scholarship	56
Sodexo Scholarship	139
Souza Scholarship	11,793
Yagi Scholarship	10,940
Total Net Assets Reserved for Scholarships	<u>\$ 1,241,214</u>

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Acker Scholarship	Alvernaz Scholarship	Beal Scholarship	Callister Scholarship	Cavaiani Scholarship
ADDITIONS					
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-
Interest income	118	77	39	10	142
Total Additions	<u>118</u>	<u>77</u>	<u>39</u>	<u>10</u>	<u>142</u>
DEDUCTIONS					
Scholarships awarded	1,000	700	500	200	200
Administrative	-	-	-	-	-
Total Deductions	<u>1,000</u>	<u>700</u>	<u>500</u>	<u>200</u>	<u>200</u>
Change in Net Assets	(882)	(623)	(461)	(190)	(58)
Net Assets - Beginning	<u>32,535</u>	<u>20,911</u>	<u>11,158</u>	<u>3,213</u>	<u>10,565</u>
Net Assets - Ending	<u>\$ 31,653</u>	<u>\$ 20,288</u>	<u>\$ 10,697</u>	<u>\$ 3,023</u>	<u>\$ 10,507</u>

See accompanying note to supplementary information.

<u>Chamberlain Scholarship</u>	<u>Landram Scholarship</u>	<u>Montano Scholarship</u>	<u>Mudd Scholarship</u>	<u>Okuda Scholarship</u>	<u>Roberts Scholarship</u>	<u>Roveto Scholarship</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,683
-	-	-	-	-	-	-
1,068	99	29	80	38	31	2,322
<u>1,068</u>	<u>99</u>	<u>29</u>	<u>80</u>	<u>38</u>	<u>31</u>	<u>23,005</u>
2,875	700	600	400	400	-	31,500
-	-	-	-	-	-	-
<u>2,875</u>	<u>700</u>	<u>600</u>	<u>400</u>	<u>400</u>	<u>-</u>	<u>31,500</u>
(1,807)	(601)	(571)	(320)	(362)	31	(8,495)
8,373	27,143	8,259	21,871	10,536	9,182	194,122
<u>\$ 6,566</u>	<u>\$ 26,542</u>	<u>\$ 7,688</u>	<u>\$ 21,551</u>	<u>\$ 10,174</u>	<u>\$ 9,213</u>	<u>\$ 185,627</u>

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MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET ASSETS, *Continued*
 FOR THE YEAR ENDED JUNE 30, 2011

	Weimer Scholarship	Total Non-Expendable Scholarships
ADDITIONS		
Trust income	\$ 1,000	\$ 21,683
Contributions	-	-
Interest income	85	4,138
Total Additions	<u>1,085</u>	<u>25,821</u>
DEDUCTIONS		
Scholarships awarded	500	39,575
Administrative	-	-
Total Deductions	<u>500</u>	<u>39,575</u>
Change in Net Assets	585	(13,754)
Net Assets - Beginning	<u>10,327</u>	<u>368,195</u>
Net Assets - Ending	<u>\$ 10,912</u>	<u>\$ 354,441</u>

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	AARP Scholarship	Barnes Scholarship	Bloss Scholarship	Brewer, James Scholarship	Brewer, Pamela Scholarship
ADDITIONS					
Trust income	\$ -	\$ -	\$ 248,253	\$ 500	\$ 500
Contributions	-	-	-	-	-
Interest income	19	55	7,896	108	106
Total Additions	<u>19</u>	<u>55</u>	<u>256,149</u>	<u>608</u>	<u>606</u>
DEDUCTIONS					
Scholarships awarded	750	1,000	361,622	500	500
Administrative	-	-	-	-	-
Total Deductions	<u>750</u>	<u>1,000</u>	<u>361,622</u>	<u>500</u>	<u>500</u>
Change in Net Assets	(731)	(945)	(105,473)	108	106
Net Assets - Beginning	<u>5,562</u>	<u>15,901</u>	<u>586,007</u>	<u>17,122</u>	<u>16,873</u>
Net Assets - Ending	<u>\$ 4,831</u>	<u>\$ 14,956</u>	<u>\$ 480,534</u>	<u>\$ 17,230</u>	<u>\$ 16,979</u>

See accompanying note to supplementary information.

<u>Broussard Scholarship</u>	<u>Brown Scholarship</u>	<u>Church Scholarship</u>	<u>Crookham Scholarship</u>	<u>Dallas Scholarship</u>	<u>Dibblee, Al & IIABMMC Scholarship</u>	<u>Fancher Scholarship</u>
\$ 486	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ 47,580
-	-	-	-	-	-	-
9	133	42	9	32	118	219
<u>495</u>	<u>133</u>	<u>42</u>	<u>63</u>	<u>32</u>	<u>118</u>	<u>47,799</u>
500	8,000	600	500	6,500	500	44,187
-	-	-	-	-	-	-
<u>500</u>	<u>8,000</u>	<u>600</u>	<u>500</u>	<u>6,500</u>	<u>500</u>	<u>44,187</u>
(5)	(7,867)	(558)	(437)	(6,468)	(382)	3,612
<u>2,897</u>	<u>44,806</u>	<u>11,593</u>	<u>2,445</u>	<u>11,151</u>	<u>34,785</u>	<u>75,142</u>
<u>\$ 2,892</u>	<u>\$ 36,939</u>	<u>\$ 11,035</u>	<u>\$ 2,008</u>	<u>\$ 4,683</u>	<u>\$ 34,403</u>	<u>\$ 78,754</u>

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET ASSETS, Continued
 FOR THE YEAR ENDED JUNE 30, 2011

	Fite Scholarship	Gear Up Scholarship	Granado Scholarship	Jackson Scholarship	Joyner Scholarship
ADDITIONS					
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	50	-	-
Interest income	-	2	6	11	-
Total Additions	<u>-</u>	<u>2</u>	<u>56</u>	<u>11</u>	<u>-</u>
DEDUCTIONS					
Scholarships awarded	-	-	-	100	-
Administrative	-	-	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>
Change in Net Assets	-	2	56	(89)	-
Net Assets - Beginning	<u>385</u>	<u>1</u>	<u>(133)</u>	<u>2,821</u>	<u>109</u>
Net Assets - Ending	<u>\$ 385</u>	<u>\$ 3</u>	<u>\$ (77)</u>	<u>\$ 2,732</u>	<u>\$ 109</u>

See accompanying note to supplementary information.

<u>Kiwanis Scholarship</u>	<u>Lau Scholarship</u>	<u>Lockwood Scholarship</u>	<u>Martinelli Scholarship</u>	<u>McCollum Scholarship</u>	<u>McPherson- Hanson Scholarship</u>	<u>Mitchell Scholarship</u>
\$ -	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1	17	35	1	11	1	1
<u>1</u>	<u>17</u>	<u>35</u>	<u>251</u>	<u>11</u>	<u>1</u>	<u>1</u>
-	1,000	-	250	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,000</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>
1	(983)	35	1	11	1	1
<u>280</u>	<u>6,118</u>	<u>9,699</u>	<u>283</u>	<u>3,377</u>	<u>131</u>	<u>145</u>
<u>\$ 281</u>	<u>\$ 5,135</u>	<u>\$ 9,734</u>	<u>\$ 284</u>	<u>\$ 3,388</u>	<u>\$ 132</u>	<u>\$ 146</u>

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET ASSETS, Continued
 FOR THE YEAR ENDED JUNE 30, 2011

	Moberly Scholarship	Newhall Scholarship	Prince Scholarship	Rohm Scholarship	Sodexo Scholarship
ADDITIONS					
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-
Interest income	21	106	1,123	1	-
Total Additions	<u>21</u>	<u>106</u>	<u>1,123</u>	<u>1</u>	<u>-</u>
DEDUCTIONS					
Scholarships awarded	200	1,875	12,250	-	-
Administrative	-	-	-	-	-
Total Deductions	<u>200</u>	<u>1,875</u>	<u>12,250</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(179)	(1,769)	(11,127)	1	-
Net Assets - Beginning	<u>5,710</u>	<u>29,793</u>	<u>112,665</u>	<u>55</u>	<u>139</u>
Net Assets - Ending	<u>\$ 5,531</u>	<u>\$ 28,024</u>	<u>\$ 101,538</u>	<u>\$ 56</u>	<u>\$ 139</u>

See accompanying note to supplementary information.

<u>Souza Scholarship</u>	<u>Thompson, Bob Scholarship</u>	<u>Yagi Scholarship</u>	<u>Total Expendable Scholarships</u>	<u>Total (Memorandum Only)</u>
\$ 50	\$ -	\$ -	\$ 297,673	\$ 319,356
-	-	-	50	50
43	4	39	10,169	14,307
<u>93</u>	<u>4</u>	<u>39</u>	<u>307,892</u>	<u>333,713</u>
250	250	500	441,834	481,409
-	-	-	-	-
<u>250</u>	<u>250</u>	<u>500</u>	<u>441,834</u>	<u>481,409</u>
(157)	(246)	(461)	(133,942)	(147,696)
<u>11,950</u>	<u>1,502</u>	<u>11,401</u>	<u>1,020,715</u>	<u>1,388,910</u>
<u>\$ 11,793</u>	<u>\$ 1,256</u>	<u>\$ 10,940</u>	<u>\$ 886,773</u>	<u>\$ 1,241,214</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of the fair value of commodities received by the District that are not recorded as revenues or expenditures in the District's financial statements.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 14,967,457
Reconciling item:		
Food Distribution	10.555	<u>202,080</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 15,169,537</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Private Purpose Scholarship Trust Funds – Combining Statement of Net Assets and Combining Statement of Changes in Net Assets

These statements are included to provide additional information regarding the individual scholarship trust funds. Following is a description of the purpose and requirements for each of the scholarships.

Jim Acker Memorial Scholarship

This scholarship has been established in honor of Jim Acker who graduated from Merced High School in 1971, by the Jim Acker Memorial Scholarship Committee, to provide a scholarship for graduating seniors from Merced High School attending a two or four year college. Recipient of this scholarship will be selected by the Jim Acker Memorial Scholarship Committee based on citizenship, GPA of 3.0 or higher and participating in athletics.

John L. Alvernaz, Jr. Scholarship

The scholarship is established from the Estate of John L. Alvernaz, Jr. to be awarded to students from Merced Union High School District. No other criteria has been specified for determining eligibility for this scholarship.

Steven O. Beal Memorial Scholarship

This scholarship is established in the memory of Steven O. Beal, a former teacher of Industrial Arts in the Merced Union High School District, for eligible Industrial Arts Drafting students planning to attend a two or four-year accredited college or university. If no Industrial Arts Drafting students apply, the scholarship may be granted to any other deserving Industrial Arts student. The student must have a cumulative GPA of no less than 2.75 for the first seven semesters of high school. The awards are to be in increments of \$500 from any amount over the \$10,000 principle. This scholarship is non-renewable.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Eldon J. Callister Memorial Scholarship

This scholarship is established in honor of Eldon J. Callister to provide a scholarship each year to a student of Merced Union High School District who enrolls as a full time student at either Brigham Young University or Utah State University. An award is given annually if a graduating senior qualifies.

Ugo Cavaiani Scholarship

This scholarship has been set up per the request of Ugo Cavaiani to award scholarships to Livingston High School graduates aspiring to be nurses.

Chamberlain Scholarship

This scholarship was established by Naomi R. Chamberlain to provide annual scholarships to worthy graduates of Merced High School District. The following requirements are to be met by the District in managing the Chamberlain Scholarship:

- The principal shall remain intact in the Trust and the income only would be distributed to worthy students.
- Scholarships are to be awarded once per year in early May or in the spring semester.
- The number of scholarships is dependent upon the amount of interest or income generated from the fund.
- Approximately one-half of the scholarships are to be awarded to students whose goal is to attend a two-year junior or community college and the remaining awarded to students whose goal is to attend a four-year college.
- Scholarships are to be awarded to students with a 3.0 GPA or better during their attendance at Merced High School.
- Consideration should be given to provide for automatic renewal for any student in continuous enrollment, up to four years at any college or university of his or her choice, as long as the student maintains a 3.0 or higher GPA.

Hugh K. Landram Memorial Scholarship

This scholarship fund is established in honor of Hugh K. Landram to provide for scholarships to be awarded to deserving students for their future education in an accredited college or university in the State of California.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

John P. Montano Memorial Scholarship

This Scholarship is established in honor of John P. Montano, a former Physical Education teacher and coach in the Merced Union High School District. It provides scholarships to eligible students who competed in a varsity sport for a minimum of one season and are planning to attend a two- or four-year college or an accredited vocational school. The student must have a cumulative GPA of no less than 2.5 for the first seven semesters of high school. The awards are to be in increments of \$600 from any amount over the \$3,255 principal. This scholarship is non-renewable.

Jay Leroy Mudd Scholarship

This scholarship is established from the Estate of Jay Leroy Mudd. The corpus shall not be impaired, but the interest shall be paid, by way of scholarships, to students from Merced Union High School for the purpose of obtaining a college education. A board consisting of the President of Merced City Chamber of Commerce, the President of Merced Rotary club, the Senior Warden of F. & A.M. Lodge #99 of Merced, and the Master of F. & A.M. Lodge #749 of Merced shall have the exclusive right to select the recipients.

Okuda Memorial Scholarship

This scholarship has been established by Franklin Okuda in memory of his son Calvin Okuda. The scholarship has a balance of over \$10,000. This is a perpetual scholarship with only the interest being awarded in the form of scholarships. The interest earned shall be split equally for two scholarships, to one male and one female graduate from Livingston High School that meet the following criteria.

- Scholarships are to be awarded to students with a 2.0 GPA or higher.
- Scholarships are to be awarded to students who are enrolled at a vocational school, community college, state college, or university.
- Scholarships are to be awarded to students who otherwise would not receive an award.

Donna Roberts Scholarship

This scholarship has been set up per the request of Eugene E. Roberts to provide a scholarship each year for a graduating senior of Yosemite High School intending to enroll in a community college the subsequent fall semester. Recipient of this scholarship shall be selected by Mr. Ron DeWong or his successor under criteria established by Mr. Eugene E. Roberts.

Rebecca Starr Roveto Scholarship

This scholarship is established to provide scholarships for graduating seniors from Atwater High School or any new high school serving Atwater students who plan to attend an accredited four year college or university in increments of \$1,000 beginning in 1998. The awards to be given will be selected by the scholarship committee designated by the Merced Union High School District to applicants who have a minimum of 3.3 GPA (4.0 scale).

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Walter Weimer Family/Livingston Rotary International Scholarship

This scholarship has been established in honor of Walter Weimer, per the request of the Weimer Family, to provide a scholarship to a Livingston High School senior. Applicant to meet the following criteria: strong math and science or agricultural science, two or four year college (UC Merced preferred but no required), well-rounded student who participated in activities. Livingston High School site committee selects recipient. Award to be \$500 (non-renewable).

AARP Scholarship

This scholarship was established by the Atwater AARP Chapter #2194 in the amount of \$9,000 to be distributed at the rate of \$1,000 per year for four scholarships, \$250 each, until the \$9,000 with its earnings has been depleted. The scholarships are to be awarded to two academic majors and two vocational majors for studies accordingly in college. The Atwater High School Scholarship Committee selects several possible academic and vocational recipients from the pool of Atwater High School Scholarship applicants and refers the names to AARP Chapter #2194 for screening and selection.

Richard Barnes Memorial Scholarship

This scholarship was established by JoAnna Browning in the memory of Richard Barnes to provide scholarships for eligible student athletes of Atwater High School who graduate with a minimum 3.0 GPA. There will be one award recipient each year receiving \$500 if attending a two year college or \$1,000 if attending a four year college.

Christine Bloss Memorial Scholarship

This scholarship is established in honor of Christine Bloss to provide scholarships for graduating seniors. It is awarded annually to students who attend a two-year or four-year college and are graduates of Merced High School, Atwater, Livingston, Yosemite, or the Adult School. The total amount awarded annually is determined by the Board of Trustees based on earnings from trust account and time certificates. Each campus receives a stipulated amount based on the number of graduates on a percentage basis. Each school determines the number of recipients and the amount of each award. Students must attend an accredited California college or university.

James Brewer Memorial Scholarship

This scholarship has been established in honor of James W. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Science teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Pamela Brewer Scholarship

This scholarship has been established in honor of Pamela K. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Social Studies or English teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Kiara Broussard Culinary Arts Scholarship

This scholarship has been established in honor of Kiara Broussard, per the request of Jennifer Broussard, to provide a scholarship for a graduating senior of Golden Valley High School or Buhach Colony/Merced High School if Golden Valley has no candidates. Applicant majoring in Culinary Arts (San Francisco Culinary Academy preferred). Recipient will be selected by family of Kiara Broussard. No required activities, minimum GPA 3.0, \$500 award (amount may change).

Brown Memorial Scholarship

This scholarship was established to provide scholarships to Merced and Golden Valley High School graduating seniors planning to attend a two or four-year accredited college or university in increments of \$1,000 per year for four years or completion of undergraduate degree. Scholarships will be awarded to students with a 3.3 cumulative GPA. College students must have a cumulative 2.5 GPA to remain eligible.

Church Scholarship

This scholarship has been established by Mr. and Mrs. Dan Church. The Scholarship Fund has accumulated approximately \$10,000. The interest accrued each year will be awarded to a graduating Golden Valley High School male or female student athlete who has participated in at least one varsity sport and plans to attend Merced College.

Sybil Nye Crookham Memorial Scholarship

This scholarship is established in honor of Sybil Nye Crookham. The scholarship will be awarded to seniors at either Atwater or Buhach Colony High Schools with a GPA of at least 3.0. The \$250 scholarship will be awarded to one senior at each high school.

Dallas Athletic Scholarship (Heart Award)

This scholarship has been established at Atwater and Buhach Colony High Schools in the amounts of \$12,500 each. The \$1,000 scholarship will be awarded to a female athlete at each high school with a minimum GPA of 2.5 who has participated in athletics for a minimum of two years who will be enrolled in a two or four year college or vocational school.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties Scholarship

This scholarship has been established by Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties. The \$500 scholarship will be awarded to two seniors on a rotating basis at Livingston and Buhach Colony High Schools in 2010, Atwater and Golden Valley High Schools in 2011, and Merced and Livingston High Schools in 2012. The two scholarships of \$500 will be awarded each year until the funds are depleted. When funds are reduced to less than \$500, the remaining balance will be the award. The applicants will need to meet the following criteria: Senior, Minimum GPA of 3.0, attend Merced College, business related major, and have a financial need. The Campus Site Scholarship Committees will select the recipient using the MUHSD Generic Scholarship application.

Bill Elam Memorial Scholarship

This scholarship has been established in honor of Bill Elam by the Livingston Rotary Club and friends of Bill Elam for the purpose of awarding an annual scholarship to a graduating senior from Livingston High School. No other criteria has been specified for the eligibility requirements. The recipient of this scholarship will be selected by Earlane Elam and the Livingston High School Scholarship Committee.

Fred B. Fancher Scholarship

This scholarship is established in honor of Fred B. Fancher. Scholarships are granted annually to qualified graduates of the Merced Union High School District who have demonstrated an interest in the broad field of agriculture and who wish to pursue a course of study, directly or indirectly, related to the field of agriculture. Students must attend either a two-year or a four-year accredited California university or college. The amount awarded each year depends upon the availability of funds. Applicants may reapply each year and receive a scholarship for up to a maximum of four years.

Carter Fite Memorial Scholarship

This scholarship has been established in honor of Carter Fite. The scholarship awards began in the spring of 2002 and will be awarded until the funds are depleted. Scholarships in the amount of \$500 each will be awarded to two Atwater High School seniors pursuing a two or four year college degree and majoring in math or teaching (elementary or high school), preferably math teacher. A GPA of 3.0 or higher is required. Students may use the generic Merced Union High School District scholarship application. There are no financial need requirements. Atwater High School Scholarship Committee selects the recipients and the funds are distributed using the Bloss Scholarship guidelines. Staff will present the awards at the awards ceremony.

Gear Up Scholarship

This scholarship has been established by the Gear Up Program. Awards of \$150, \$300, or \$500 will be given to students enrolled in the Gear Up Program at Atwater and Buhach High Schools. The awards will be based on how well the students did in the program.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Mario Granado Memorial Scholarship

This scholarship has been established in honor of Mario Granado, a former employee of Merced Union High School District, per the request of Cynthia Granado, to provide non-renewable scholarships to Livingston High School, Atwater High School, Buhach Colony High School, Merced High School and Golden Valley High School seniors with 2.0+ GPA. Applicants to meet any of the following criteria: pursuing a vocational program (priority), overcome obstacles or shown improvement, come from large family, participate in baseball or softball, complete 200+ hours of community service or plays a musical instrument. Awards to be \$1,000 at each campus.

Betty B. Jackson Scholarship

This scholarship has been established in honor of Betty B. Jackson, per the request of Lloyd Jackson, to provide a scholarship for the first year of college for a graduating senior of Merced High School enrolling in a junior college. Recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mr. Lloyd Jackson as follows:

- Financial need as determined by the Scholarship Committee.
- Minimum GPA of 2.0 based on last 5 semesters of high school grades.
- Selection cannot be made until after the Bloss and Smith Scholarships are selected.

Joyner Scholarship

This scholarship was established by the California Association of School Business Officials to be given in the name of Lydia L. Lobdell, in the amount of \$500 each year for ten years. The recipient will be selected from one high school in the District on a rotating basis. The selection will be made by a committee of business teachers at the site. The scholarship may be awarded without qualification to any graduate in need of assistance to continue their education.

Livingston Kiwanis Club Scholarship

This scholarship has been established by the Kiwanis Club of Livingston-Delhi for the purposes of awarding a yearly academic scholarship to a Livingston High School Student, beginning in 1993. The criteria is to be established by the Livingston High School Scholarship Committee.

Karina Lau Memorial Scholarship

This scholarship is established in honor of Karina Lau. The scholarship is to be awarded to a senior at Livingston High School who was involved in the music or theater program and will enroll in a two or four year college with a music or theater related degree. The scholarship will be \$1,000 a year for up to four years as long as the student continues with a music or theater major.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Lester L. Lockwood Memorial Scholarship

This scholarship has been established in honor of Lester L. Lockwood with the approval of Janelle Lockwood. The Lester Lockwood Memorial Scholarship will be awarded each year to a graduating senior from Yosemite High School who plans to continue his/her education at Merced College, or the previous year's recipient who is currently enrolled at Merced College and has reapplied for the scholarship. The scholarship may be renewed one time only in the manner described above. A current college student who is reapplying will be given precedence. In the event there is no reapplication, a graduating senior from Yosemite High School will be chosen by the administration and staff at Yosemite High School.

Angelo Martinelli Memorial Scholarship

This scholarship is established in honor of Angelo Martinelli to provide scholarships to eligible Merced High School graduates. Scholarships in the amount of \$250 will be awarded to students who have received a cumulative GPA of at least 2.75 in high school, the student may attend an accredited two-year, four-year, or a vocational school, and the student will be approved by the Martinelli family. This scholarship is non-renewable.

Karen McCollum Memorial Scholarship

This scholarship was established in honor of Karen McCollum to provide a scholarship to an eligible student who attended the GED program at the Merced Adult School and is enrolling with a GPA of 2.0 or higher and at least six or more units of work at Merced Community College. The \$500 scholarship will be disbursed in two separate payments annually (August and December).

Lucy McPherson-Hanson Memorial Scholarship

This scholarship was established to provide annual scholarships preferably to an African American student, or other minority student, graduating from Merced High School with a minimum grade point average of 2.5. This scholarship is non-renewable.

Herbert Mitchell Memorial Scholarship

This scholarship has been established in honor of Herbert Mitchell by his widow, Mrs. Winnie Mitchell, to provide a \$200 scholarship to a deserving graduate of Merced High School. The recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mrs. Winnie Mitchell as follows:

- Financial need as determined by the Scholarship Committee.
- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Sanford Moberly Memorial Scholarship

This scholarship is established in memory of Sanford Moberly, an art teacher at Livingston High School. Each year an art student, selected by the Livingston High School Art Department, receives a \$200 award from this scholarship.

Henry Mayo Newhall Scholarship

This scholarship was established by a gift from the Henry Mayo Foundation. A scholarship in the amount of \$8,000 is awarded to the outstanding graduate of Merced High School who will attend a four-year college. Applicant selection criteria is the same as for the Bloss Scholarship.

Clarence Earl Prince Scholarship

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed from one year to the next.

Clarence Earl Prince Scholarship

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed from one year to the next.

Anastacia Purganan Memorial Scholarship

This scholarship has been established in honor of Anastacia Purganan to provide scholarships to eligible Livingston High School graduates, who intend to attend Merced College for two years on a full time basis in pursuing a career as a teacher or vocational program. Two scholarships, in the amount of \$1,000 each, will be awarded to approved students with a cumulative GPA between 2.0 to 3.0 in high school.

Ryan M. Rohm Memorial Scholarship

This scholarship is established in honor of Ryan Rohm to provide scholarships to eligible Golden Valley High School graduates. Three scholarships, in the amount of \$1,000 (\$500 per year for two years), will be awarded to approved students, to be eligible a student must have received a cumulative GPA of at least 3.0 in high school. This scholarship is non-renewable.

Sodexo Scholarship

Sodexo School Services has established this scholarship which will total two \$500 scholarships a year for students wishing to continue their education beyond high school in a vocational area. The scholarship will be rotated between all District high schools beginning with Buhach Colony and Golden Valley. The scholarship will be awarded to one student at each of the two high schools with at least a 2.5 GPA.

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Crystal Souza Memorial Scholarship

This scholarship is established in honor of Crystal Souza. The scholarship is to be awarded to seniors at Livingston High School and will total \$250 a year for two students. Each \$250 scholarship will be awarded to one agriculture major and one nursing major. The students must be attending Merced College.

Bob Thompson Rotary Scholarship

This scholarship has been established by Bob Thompson. The scholarship will be awarded to a Livingston High School Senior who is pursuing a vocational degree or certificate. The award amount will be \$500 per year and the recipient will be selected by the Livingston High School Site Committee.

George Yagi Memorial Scholarship

This scholarship has been established in honor of George Yagi, per the request of Floy Yagi, to provide a scholarship to a Livingston High School senior who intends to attend a two or four year college. Applicant to meet the following criteria: major in agriculture or related field, participation in FFA, minimum GPA of 3.0. Livingston High School site committee selects recipient. Award to be \$1,000 for a four year college or \$500 for a two year college.

INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Merced Union High School District
Merced, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District as of and for the year ended June 30, 2011, which collectively comprise Merced Union High School District's basic financial statements and have issued our report thereon dated October 27, 2011. 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.

Internal Control Over Financial Reporting

The management of Merced Union High School District is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered Merced Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Merced Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Merced Union High School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Merced Union High 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*.

We noted certain matters that we reported to management of Merced Union High School District in a separate letter dated October 27, 2011.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vannest, Erwin, Day & Co., LLP

Fresno, California
October 27, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Merced Union High School District
Merced, California

Compliance

We have audited Merced Union High School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Merced Union High School District's major Federal programs for the year ended June 30, 2011. Merced Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Merced Union High School District's management. Our responsibility is to express an opinion on Merced Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Merced Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Merced Union High School District's compliance with those requirements.

In our opinion, Merced Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Merced Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Merced Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Merced Union High School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vannoy, Eric, Day & Co., LLP

Fresno, California
October 27, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Merced Union High School District
Merced, California

We have audited Merced Union High School District's compliance with the requirements as identified in the Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11 applicable to Merced Union High School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Merced Union High School District's management. Our responsibility is to express an opinion on Merced Union High School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Merced Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Merced Union High School District's compliance with those requirements.

In our opinion, Merced Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Merced Union High School District's compliance with the State laws and regulations applicable to the following items:

Table with 3 columns: Item, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Accounting (Attendance reporting, Kindergarten continuance, Independent study, Continuation education) and Instructional Time (School districts, County offices of education).

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vannoy, Eric, Day & Co., LLP

Fresno, California
October 27, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MERCED UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.391 (ARRA)</u>	<u>Special Education Cluster (includes ARRA)</u>
<u>84.410</u>	<u>Education Jobs and Medicaid Assistance Act</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Fiscal Stabilization</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 455,086</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
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MERCED UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

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

