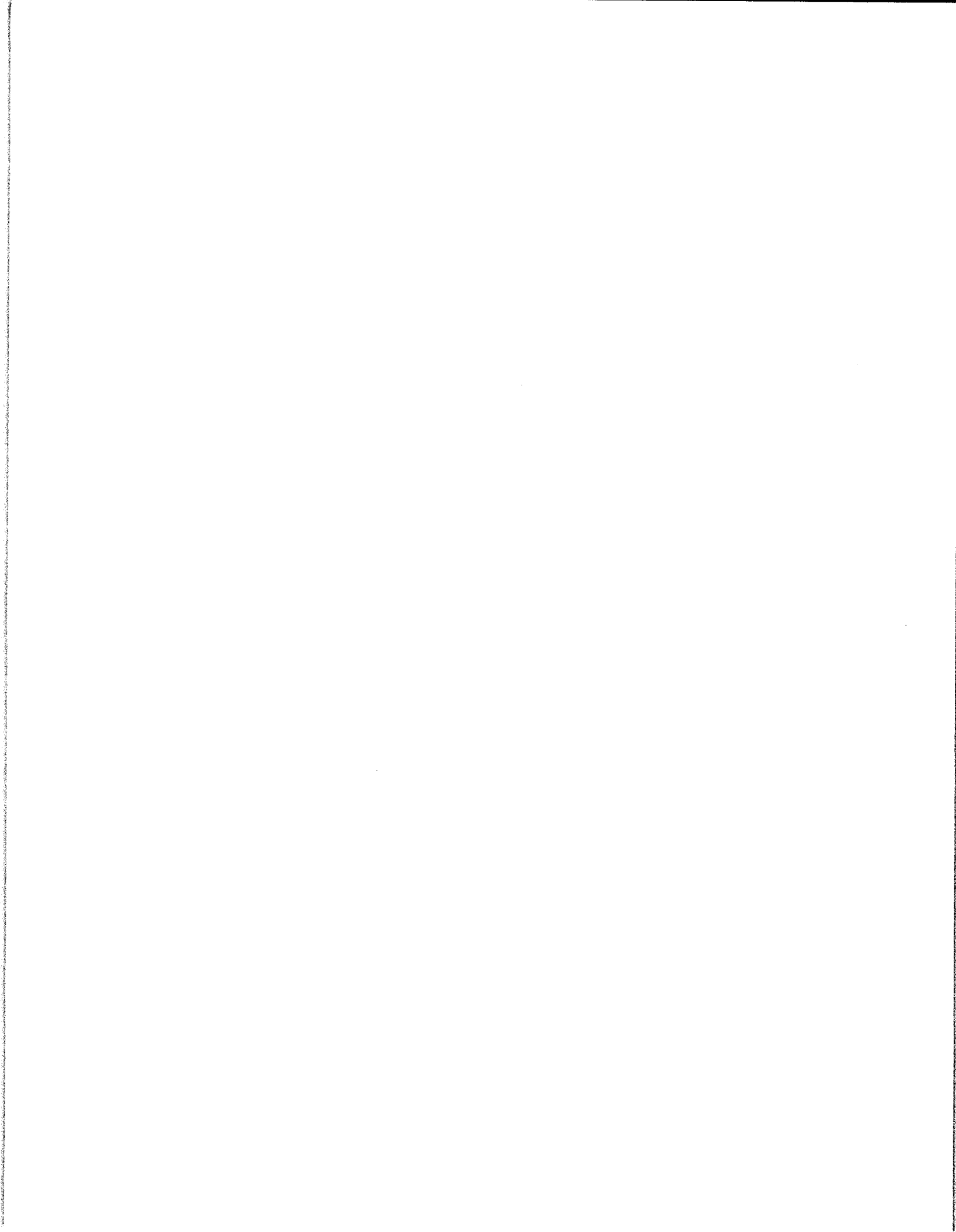


**MERCED UNION
HIGH SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012



MERCED UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2012

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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, 2012, 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 2011-12*, 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 previously 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, 2012, and the respective changes in financial position 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 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 December 14, 2012, 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, budgetary comparison information and other postemployment benefits information on pages 53 and 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated in all material respects in relation to the financial statements as a whole.

Vaccined, Trine, Day & Co. LLP

Fresno, California
December 14, 2012



MUHSD

Merced Union High School District

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Ida M. Johnson
Kurt Kollmann
Sam Spangler

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, 2012. 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.

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.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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, 2012

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 \$144.9 million for the fiscal year ended June 30, 2012, and \$144.2 million for the fiscal year ended June 30, 2011; an increase of \$0.7 million. Restricted net assets, which totaled \$12.1 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		
	2012	2011	Variance
Current and other assets	\$ 98.5	\$ 101.1	\$ (2.6)
Capital assets	159.0	123.5	35.5
Total Assets	257.5	224.6	32.9
Current liabilities	7.4	7.1	0.3
Long-term obligations	105.2	73.3	31.9
Total Liabilities	112.6	80.4	32.2
Net assets			
Invested in capital assets, net of related debt	102.5	103.1	(0.6)
Restricted	12.1	10.5	1.6
Unrestricted	30.3	30.6	(0.3)
Total Net Assets	\$ 144.9	\$ 144.2	\$ 0.7

The \$30.3 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, 2012

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		
	2012	2011	Variance
Revenues			
Program revenues:			
Charges for services	\$ 1.0	\$ 1.1	\$ (0.1)
Operating grants and contributions	16.2	20.8	(4.6)
Capital grants and contributions	2.0	43.4	(41.4)
General revenues:			
Federal and state aid not restricted	58.5	59.8	(1.3)
Property taxes	18.5	15.8	2.7
Other general revenues	5.4	3.6	1.8
Total Revenues	<u>101.6</u>	<u>144.5</u>	<u>(42.9)</u>
Expenses			
Instruction related	64.4	62.5	1.9
Student support services	13.5	12.8	0.7
Administration	5.4	5.1	0.3
Maintenance and operations	10.5	11.6	(1.1)
Other	7.1	4.6	2.5
Total Expenses	<u>100.9</u>	<u>96.6</u>	<u>4.3</u>
Change in Net Assets	<u>\$ 0.7</u>	<u>\$ 47.9</u>	<u>\$ (47.2)</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$100.9 million as compared to \$96.6 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18.5 million because the cost was paid by those who benefited from the programs (\$1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$18.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$63.9 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, 2012

Table 3

(Dollar amounts in millions)	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction related	\$ 64.4	\$ 62.5	\$ 52.2	\$ 5.8
Student support services	13.5	12.8	8.2	7.6
Administration	5.4	5.1	4.7	4.5
Maintenance and operations	10.5	11.6	10.4	11.4
Other	7.1	4.6	6.1	1.9
Total	\$ 100.9	\$ 96.6	\$ 81.6	\$ 31.2

The District's net cost of activities for the current year was \$81.6 million as compared to \$31.2 million in the prior year. A majority of the District's expenses were related to the education and support of its students (63.8 percent).

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of \$90.7 million, while the prior year reported a balance of \$94.1 million, which is a decrease of \$3.4 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity	
	June 30, 2012	June 30, 2011
General Fund	\$ 33.6	\$ 35.1
Building Fund	45.5	50.5
Non-Major Funds	11.6	8.5
Total	\$ 90.7	\$ 94.1

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from \$35.1 million to \$33.6 million. This decrease is due primarily to continued State funding reductions.
- b. Our Special Revenue Funds remained fairly stable from last year.
- c. The Debt Service Funds increased as property taxes for debt service exceeded debt service payments.
- d. The Capital Projects Funds decreased due to continued construction costs.

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 2012. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$159.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2011, the net fixed assets totaled \$123.5 million. This amount represents a net increase (including additions, deductions and depreciation) of just over \$35.5 million.

Table 5

(Amounts in millions)	Governmental Activities		
	2012	2011	Variance
Land	\$ 13.3	\$ 13.3	\$ -
Construction in progress	81.3	43.3	38.0
Buildings and improvements	61.1	63.5	(2.4)
Equipment	3.3	3.4	(0.1)
Total	\$ 159.0	\$ 123.5	\$ 35.5

This year's additions of \$39.6 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 \$105.2 million in long-term obligations outstanding versus \$73.3 million last year, an increase of 43.5 percent. The increase is primarily due issuance of General Obligation Bonds.

Table 6

(Amounts in millions)	Governmental Activities		
	2012	2011	Variance
General obligation bonds	\$ 102.0	\$ 70.7	\$ 31.3
Compensated absences	0.1	0.1	-
Postemployment benefits	0.9	0.8	0.1
Capital lease obligations	-	0.1	(0.1)
Public agency retirement system	2.2	1.6	0.6
Total	\$ 105.2	\$ 73.3	\$ 31.9

The District's general obligation S&P bond rating as of the most recent bond issuance was "Aa3".

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.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-12 ARE NOTED BELOW:

The District continued in 2011-12 to construct the projects authorized by the approval of Measure M local general obligation bond in November 2008 as bonding capacity allowed. Series C bonds, as part of the 2008 general obligation bond election, were sold at \$30,115,412 in December 2011. \$2,000,000 was received from the State as part of the match for the shared facility use agreement with the City of Merced. As part of the agreement, City of Merced has committed \$951,670 to the district for the use of athletic grounds and facilities at the new high school.

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. Groundbreaking 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 58 acre site. The project has spent \$49,653,854 as of June 30, 2012. The project is scheduled to complete in June 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2012-13 General Fund Revenue Budget Assumptions

- There is decline, compared to 2011-12, in Average Daily Attendance (ADA) used to project revenues.
- The General Fund budgeted revenues for 2012-13 are \$76.5 million and are based on the following assumptions:
 - The 2012-13 adjusted base revenue limit (with deficit) is projected to be \$6,011.16 per ADA
 - 3.24% cost of living adjustment (COLA)
 - 22.272% revenue limit deficit
 - Projected ADA is 9,730
 - Lottery revenue is \$118.00 per ADA unrestricted Lottery and \$23.75 for restricted instructional materials
 - Transfer in from Fund 13, Cafeteria Fund, of \$300,000 plus interest to "pay back" temporary loan made to meet Cafeteria cash needs
 - Transfer in from Fund 20 interest earned to offset pay-as-you-go insurance liability
 - No COLA for special education funding or state categorical funding

2012-13 General Fund Expenditure Budget Assumptions:

- The General Fund budgeted expenditures for 2012-13 are \$82.9 million and are based on the following assumptions:
 - 1.5% step and column increase
 - No budgeted COLA for salaries
 - Health Insurance cap of \$9,300 for certificated and management and \$10,209 for classified staff
 - Transfer out of \$300,000 to Fund 13, Cafeteria Fund, to meet temporary cash needs

Based upon the 2012-13 budget the district will be able to meet its financial obligations for 2012-13, for two subsequent fiscal years, 2013-14 and 2014-15, and maintain a reserve for economic uncertainties equal to the required 3.0 percent minimum.

MERCED UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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:

Leonard Kahn
Assistant Superintendent/CBO, Business Services
Merced Union High School District
3430 A Street, Castle Airport
Atwater, California 95301

Telephone number: (209) 385-6411
Email: lkahn@muhsd.k12.ca.us

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	\$ 70,986,374
Receivables	26,936,634
Deferred charges and discounts	374,408
Stores inventories	241,692
Nondepreciable capital assets	94,583,826
Capital assets being depreciated	120,890,107
Accumulated depreciation	(56,484,849)
Total Assets	<u>257,528,192</u>
LIABILITIES	
Accounts payable	7,166,411
Deferred revenue	288,812
Current portion of long-term obligations	2,804,594
Noncurrent portion of long-term obligations	102,382,643
Total Liabilities	<u>112,642,460</u>
NET ASSETS	
Invested in capital assets, net of related debt	102,514,877
Restricted for:	
Debt service	5,962,447
Capital projects	2,983,141
Educational programs	2,151,549
Other activities	1,001,715
Unrestricted	30,272,003
Total Net Assets	<u>\$ 144,885,732</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 50,959,082	\$ 427,463	\$ 8,376,144	\$ 2,000,000
Instruction-related activities:				
Supervision of instruction	3,905,686	10,103	1,339,813	-
Instructional library, media and technology	1,289,355	-	1,948	-
School site administration	8,261,081	-	119,048	-
Pupil services:				
Home-to-school transportation	2,257,827	-	514,242	-
Food services	4,130,501	513,800	3,375,589	-
All other pupil services	7,145,896	-	911,310	-
General administration:				
Data processing	1,258,528	-	2,054	-
All other general administration	4,109,383	24,817	603,378	-
Plant services	10,480,073	2,270	55,472	-
Ancillary services	1,666,193	-	-	-
Community services	7,728	-	-	-
Enterprise services	263,224	-	-	-
Interest on long-term obligations	3,886,649	-	-	-
Other outgo	1,251,891	35,068	945,862	-
Total Governmental-Type Activities	\$ 100,873,097	\$ 1,013,521	\$ 16,244,860	\$ 2,000,000
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**

\$	(40,155,475)
	(2,555,770)
	(1,287,407)
	(8,142,033)
	(1,743,585)
	(241,112)
	(6,234,586)
	(1,256,474)
	(3,481,188)
	(10,422,331)
	(1,666,193)
	(7,728)
	(263,224)
	(3,886,649)
	(270,961)
	<u>(81,614,716)</u>
	11,819,071
	6,534,620
	86,122
	58,483,731
	546,119
	25,532
	4,763,345
	<u>82,258,540</u>
	643,824
	144,241,908
\$	<u><u>144,885,732</u></u>

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 14,264,781	\$ 45,702,993	\$ 11,018,600
Receivables	25,647,775	13,202	1,275,657
Due from other funds	612,300	10,662	27,186
Stores inventories	197,939	-	43,753
Total Assets	\$ 40,722,795	\$ 45,726,857	\$ 12,365,196
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,746,877	\$ 251,747	\$ 167,787
Due to other funds	27,186	-	622,962
Deferred revenue	288,812	-	-
Total Liabilities	7,062,875	251,747	790,749
FUND BALANCES			
Nonspendable	217,939	-	45,025
Restricted	2,108,767	45,475,110	9,945,060
Committed	-	-	1,357,890
Assigned	28,739,157	-	226,472
Unassigned	2,594,057	-	-
Total Fund Balances	33,659,920	45,475,110	11,574,447
Total Liabilities and Fund Balances	\$ 40,722,795	\$ 45,726,857	\$ 12,365,196

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

**Total
Governmental
Funds**

\$ 70,986,374
26,936,634
650,148
241,692

\$ 98,814,848

\$ 7,166,411
650,148
288,812

8,105,371

262,964
57,528,937
1,357,890
28,965,629
2,594,057

90,709,477

\$ 98,814,848

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MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

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

Total Fund Balance - Governmental Funds		\$ 90,709,477
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	\$ 215,473,933	
Accumulated depreciation is	<u>(56,484,849)</u>	
Total capital assets		158,989,084
Long-term obligations at year end consist of:		
General obligation bonds	(101,949,317)	
Compensated absences	(109,767)	
Other postemployment benefits	(930,828)	
Public agency retirement system	<u>(2,197,325)</u>	
Total long-term obligations		<u>(105,187,237)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 144,885,732</u></u>

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, 2012

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 60,746,927	\$ -
Federal sources	6,524,383	-
Other state sources	14,402,758	-
Other local sources	2,110,602	1,267,665
Total Revenues	83,784,670	1,267,665
EXPENDITURES		
Current		
Instruction	46,156,663	-
Instruction-related activities:		
Supervision of instruction	3,773,108	-
Instructional library, media and technology	1,178,580	-
School site administration	7,585,107	-
Pupil Services:		
Home-to-school transportation	2,044,597	-
Food services	16,726	-
All other pupil services	7,033,673	-
General administration:		
Data processing	1,185,828	-
All other general administration	3,643,836	-
Plant services	9,370,173	15,864
Facility acquisition and construction	22,883	38,352,270
Ancillary services	1,666,193	-
Community services	7,728	-
Other outgo	1,251,891	-
Enterprise services	263,224	-
Debt service		
Principal	16,740	-
Interest and other	587	374,408
Total Expenditures	85,217,537	38,742,542
Excess (Deficiency) of Revenues Over Expenditures	(1,432,867)	(37,474,877)
Other Financing Sources (Uses):		
Transfers in	410,311	2,000,000
Other sources	-	30,489,821
Transfers out	(410,034)	-
Net Financing Sources (Uses)	277	32,489,821
NET CHANGE IN FUND BALANCES	(1,432,590)	(4,985,056)
Fund Balance - Beginning	35,092,510	50,460,166
Fund Balance - Ending	\$ 33,659,920	\$ 45,475,110

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 60,746,927
3,647,029	10,171,412
4,928,287	19,331,045
7,889,270	11,267,537
<u>16,464,586</u>	<u>101,516,921</u>
1,651,764	47,808,427
34,967	3,808,075
-	1,178,580
533,308	8,118,415
357,039	2,401,636
4,005,338	4,022,064
70,006	7,103,679
-	1,185,828
287,255	3,931,091
705,154	10,091,191
622,152	38,997,305
-	1,666,193
-	7,728
-	1,251,891
-	263,224
1,850,000	1,866,740
1,313,643	1,688,638
<u>11,430,626</u>	<u>135,390,705</u>
<u>5,033,960</u>	<u>(33,873,784)</u>
410,034	2,820,345
-	30,489,821
<u>(2,410,311)</u>	<u>(2,820,345)</u>
<u>(2,000,277)</u>	<u>30,489,821</u>
3,033,683	(3,383,963)
8,540,764	94,093,440
<u>\$ 11,574,447</u>	<u>\$ 90,709,477</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, 2012

Total Net Change in Fund Balances - Governmental Funds **\$ (3,383,963)**
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	\$ 39,567,454	
Depreciation expense	<u>(4,032,091)</u>	35,535,363

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 \$2,572,419 of additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds.

(2,572,419)

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 \$13,561.

(13,561)

In the Statement of Activities, certain operating expenses, early retirements, 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). The net increase to the early retirement obligation was:

(581,220)

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.

Sale of general obligation bonds		(30,489,821)
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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, 2012

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:

Discount on issuance	\$ 100,000	
Cost of issuance	274,408	
Combined adjustment		\$ 374,408

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	1,850,000
Capital lease obligations	16,740

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:

	(91,703)
Change in Net Assets of Governmental Activities	\$ 643,824

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

MERCED UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Private- Purpose Trusts	Agency		Total
	Scholarships	Deferred	Student	
		Compensation	Body	
ASSETS				
Deposits and investments	\$ 1,208,447	\$ 2,011,162	\$ 643,466	\$ 3,863,075
Total Assets	\$ 1,208,447	\$ 2,011,162	\$ 643,466	\$ 3,863,075
LIABILITIES				
Due to student groups and employees	\$ -	\$ 2,011,162	\$ 643,466	\$ 2,654,628
Total Liabilities	-	2,011,162	643,466	2,654,628
NET ASSETS				
Reserved for scholarships	1,208,447	-	-	1,208,447
Total Net Assets	\$ 1,208,447	\$ -	\$ -	\$ 1,208,447

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, 2012**

	Private- Purpose Trusts <u>Scholarships</u>
ADDITIONS	
Trust income	\$ 17,611
Contributions	10,709
Interest	104
Total Additions	<u>28,424</u>
DEDUCTIONS	
Scholarships awarded	61,191
Total Deductions	<u>61,191</u>
Change in Net Assets	(32,767)
Net Assets - Beginning	1,241,214
Net Assets - Ending	<u>\$ 1,208,447</u>

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

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Merced Union High School District (the 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 the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 \$13,155,600, \$16,107,389, and \$145,226, respectively.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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]).

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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.).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term 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 funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust 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, 2012

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, 2012

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, 2012, 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, 2012

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.

Deferred Issuance Costs and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Assets. Any issuance costs and discounts related to those obligations are deferred and amortized over the life of the obligations using the straight line method.

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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

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

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

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

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

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 one-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, 2012. 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 report \$12,098,852 of restricted net assets.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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*.

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.

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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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.

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.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 70,986,374
Fiduciary funds	3,863,075
Total Deposits and Investments	<u>\$ 74,849,449</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 1,853,055
Cash in revolving	21,272
Investments	72,975,122
Total Deposits and Investments	<u>\$ 74,849,449</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Policies and Practices

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

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

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

MERCED UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More Than 60 Months</u>
Mutual Funds	\$ 2,011,162	\$ 2,011,162	\$ -	\$ -	\$ -
County Pool	70,963,960	70,963,960	-	-	-
Total	<u>\$ 72,975,122</u>	<u>\$ 72,975,122</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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
Mutual Funds	\$ 2,011,162	N/A	\$ -	\$ -	\$ 2,011,162
County Pool	70,963,960	N/A	-	-	70,963,960
Total	<u>\$ 72,975,122</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,975,122</u>

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There were no investments in any one issuer that represent five percent (5%) or more of the total investments.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012, \$1,350,983 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.

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 \$2,011,162, the District has a custodial credit risk exposure of \$1,761,162, 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, 2012, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 723,675	\$ -	\$ 1,081,948	\$ 1,805,623
State Government				
Apportionment	21,555,521	-	-	21,555,521
Other State Sources	3,128,132	-	101,907	3,230,039
Local Sources	240,447	13,202	91,802	345,451
Total	<u>\$ 25,647,775</u>	<u>\$ 13,202</u>	<u>\$ 1,275,657</u>	<u>\$ 26,936,634</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,296,486	\$ -	\$ -	\$ 13,296,486
Construction in progress	43,296,176	38,712,243	721,079	81,287,340
Total Capital Assets Not Being Depreciated	<u>56,592,662</u>	<u>38,712,243</u>	<u>721,079</u>	<u>94,583,826</u>
Capital Assets being depreciated				
Land improvements	15,260,400	552,116	-	15,812,516
Buildings and improvements	91,523,305	404,911	-	91,928,216
Furniture and equipment	12,541,136	619,263	11,024	13,149,375
Total Capital Assets Being Depreciated	<u>119,324,841</u>	<u>1,576,290</u>	<u>11,024</u>	<u>120,890,107</u>
Less Accumulated Depreciation				
Land improvements	10,496,761	527,820	-	11,024,581
Buildings and improvements	32,809,578	2,829,364	-	35,638,942
Furniture and equipment	9,157,443	674,907	11,024	9,821,326
Total Accumulated Depreciation	<u>52,463,782</u>	<u>4,032,091</u>	<u>11,024</u>	<u>56,484,849</u>
Governmental Activities Capital Assets, Net	<u>\$ 123,453,721</u>	<u>\$ 36,256,442</u>	<u>\$ 721,079</u>	<u>\$ 158,989,084</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,807,776
Supervision of instruction	1,259
Instructional library, media, and technology	94,892
School site administration	72,369
Home-to-school transportation	254,416
Food services	86,175
All other pupil services	15,693
Data processing	71,448
All other general administration	83,852
Plant services	544,211
Total Depreciation Expenses Governmental Activities	<u>\$ 4,032,091</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 612,300	\$ 27,186
Building	10,662	-
Total Major Governmental Funds	<u>622,962</u>	<u>27,186</u>
Non-Major Governmental Funds		
Adult Education	410	240,536
Child Development	25,607	42,300
Cafeteria	1,169	203,764
Deferred Maintenance	-	10,662
Special Reserve Postemployment Benefits	-	125,700
Total Non-Major Governmental Funds	<u>27,186</u>	<u>622,962</u>
Total All Governmental Funds	<u>\$ 650,148</u>	<u>\$ 650,148</u>

The Adult Education Fund owes the General Fund for indirect costs.	\$ 76,165
The Adult Education Fund owes the General Fund for transportation charges and CalSTRS audit clean up.	666
The Adult Education Fund owes the General Fund for retiree health cost contributions.	21,439
The Adult Education Fund owes the General Fund for overstatement of flex revenues.	142,266
The Child Development Fund owes the General Fund for the CalSTRS audit clean up.	250
The Child Development Fund owes the General Fund for retiree health cost contributions.	5,940
The Child Development Fund owes the General Fund for a temporary loan.	12,000
The Child Development Fund owes the General Fund for indirect costs.	24,110
The Cafeteria Fund owes the General Fund for indirect costs.	182,276
The Cafeteria Fund owes the General Fund for retiree health cost distribution.	21,488
The Deferred Maintenance Fund owes the Building Fund for construction costs.	10,662
The Pupil Transportation Fund owes the General Fund for a temporary loan.	125,700
The General Fund owes the Adult Education Fund for CalSTRS audit clean up.	410
The General Fund owes the Child Development Fund for flexibility transfers.	18,716
The General Fund owes the Child Development Fund for CalSTRS audit clean up.	1,581
The General Fund owes the Child Development Fund for an employee salary.	5,310
The General Fund owes the Cafeteria Fund for food service expenditures.	1,169
Total	<u>\$ 650,148</u>

MERCED UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

The General Fund transferred to the Child Development Fund for a temporary loan.	\$ 12,000
The General Fund transferred to the Cafeteria Fund for a temporary loan.	272,334
The General Fund transferred to the Pupil Transportation Fund for a temporary loan to fund a bus purchase.	125,700
The Child Development Fund transferred to the General Fund to repay a temporary loan.	12,000
The Cafeteria Fund transferred to the General Fund to repay a temporary loan.	272,611
The Pupil Transportation Fund transferred to the General Fund to repay a temporary loan.	125,700
The County School Facilities Fund transferred to the Building Fund State grant funds.	2,000,000
Total	<u>\$ 2,820,345</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 4,857,334	\$ 251,747	\$ 141,160	\$ 5,250,241
Salaries and benefits payable	510,600	-	26,627	537,227
Deferred payroll	1,378,943	-	-	1,378,943
Total	<u>\$ 6,746,877</u>	<u>\$ 251,747</u>	<u>\$ 167,787</u>	<u>\$ 7,166,411</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund
Federal financial assistance	\$ 277,619
State categorical aid	11,193
Total	<u>\$ 288,812</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 2011	Additions and Accretion	Deductions	Balance June 30, 2012	Due in One Year
1999 Current Interest Bonds, Series A	\$ 3,590,000	\$ -	\$ 1,730,000	\$ 1,860,000	\$ 1,860,000
1999 Capital Appreciation Bonds, Series A	17,926,953	1,026,594	-	18,953,547	-
2009 Current Interest Bonds, Series A	22,010,000	-	120,000	21,890,000	150,000
2009 Capital Appreciation Bonds, Series A	1,725,366	149,944	-	1,875,310	-
2011 Current Interest Bonds, Series B-1	25,000,000	-	-	25,000,000	-
2011 Capital Appreciation Bonds, Series B	484,758	58,374	-	543,132	-
2011 Capital Appreciation Bonds, Series C	-	31,827,328	-	31,827,328	-
Compensated absences	96,206	13,561	-	109,767	-
Capital leases	16,740	-	16,740	-	-
Other postemployment benefits	839,125	1,615,806	1,524,103	930,828	-
Public agency retirement system	1,616,105	1,375,815	794,595	2,197,325	794,594
Total	<u>\$ 73,305,253</u>	<u>\$ 36,067,422</u>	<u>\$ 4,185,438</u>	<u>\$ 105,187,237</u>	<u>\$ 2,804,594</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 by the General Fund. The compensated absences liability is paid by 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, 2012

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, 2011	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2012
Current Interest								
Series A	08/01/99	08/01/12	4.5-5.5%	\$ 10,610,000	\$ 3,590,000	\$ -	\$(1,730,000)	\$ 1,860,000
Capital Appreciation								
Series A	08/01/99	08/01/24	5.4-5.75%	13,573,396	17,926,953	1,026,594	-	18,953,547
Current Interest								
Series A	04/17/09	08/01/29	2.0-5.0%	23,560,000	22,010,000	-	(120,000)	21,890,000
Capital Appreciation								
Series A	04/17/09	08/01/34	5.4-5.75%	1,439,944	1,725,366	149,944	-	1,875,310
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	58,374	-	543,132
Capital Appreciation								
Series C	11/09/11	8/1/38	3.80 - 7.42%	30,489,821	-	31,827,328	-	31,827,328
Total				<u>\$ 105,135,706</u>	<u>\$ 70,737,077</u>	<u>\$ 33,062,240</u>	<u>\$(1,850,000)</u>	<u>\$ 101,949,317</u>

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,631,061, were 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. The Merced Union High School District 2008 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,999,994, were 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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of \$30,489,820.80 (the "Bonds") were authorized at an election of the registered voters of the Merced Union High School District (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. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). The Bonds will be issued as capital appreciation bonds, such that the Bonds will not bear interest on a current basis, but will instead accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof. Bond issuance costs in the amount of \$100,000 and a bond discount in the amount of \$274,408 will be capitalized and amortized over the life of the bonds.

Debt Service Requirements to Maturity

1999 Current Interest, Series A - Payment Summary

The bonds mature through 2013 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	<u>\$ 1,860,000</u>	<u>\$ 48,825</u>	<u>\$ 1,908,825</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1999 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	Accreted Obligation	Unaccreted Interest	Final Maturity
2014	\$ 1,896,400	\$ 103,600	\$ 2,000,000
2015	1,834,774	210,226	2,045,000
2016	1,773,574	316,426	2,090,000
2017	1,715,852	424,148	2,140,000
2018	1,653,608	531,392	2,185,000
2019-2023	7,445,487	4,249,513	11,695,000
2024-2025	2,633,852	2,421,148	5,055,000
Total	<u>\$ 18,953,547</u>	<u>\$ 8,256,453</u>	<u>\$ 27,210,000</u>

2009 Current Interest, Series A - Payment Summary:

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	Principal	Interest to Maturity	Total
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	460,000	999,087	1,459,087
2018-2022	4,070,000	4,601,693	8,671,693
2023-2027	8,355,000	3,156,625	11,511,625
2028-2030	8,020,000	631,250	8,651,250
Total	<u>\$ 21,890,000</u>	<u>\$ 13,517,178</u>	<u>\$ 35,407,178</u>

2009 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	Accreted Obligation	Unaccreted Interest	Final Maturity
2031	\$ 1,012,208	\$ 2,267,792	\$ 3,280,000
2032	541,242	2,968,758	3,510,000
2033	-	-	-
2034	-	-	-
2035	321,860	3,858,140	4,180,000
Total	<u>\$ 1,875,310</u>	<u>\$ 9,094,690</u>	<u>\$ 10,970,000</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

2011 Current Interest, Series B-1 - Payment Summary

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	-	1,492,213	1,492,213
2018-2022	16,685,000	4,785,665	21,470,665
2023-2026	8,315,000	1,433,194	9,748,194
Total	<u>\$ 25,000,000</u>	<u>\$ 13,679,920</u>	<u>\$ 38,679,920</u>

2011 Capital Appreciation, Series B - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2027	\$ 275,796	\$ 1,134,204	\$ 1,410,000
2028	267,336	1,142,664	1,410,000
Total	<u>\$ 543,132</u>	<u>\$ 2,276,868</u>	<u>\$ 2,820,000</u>

2011 Capital Appreciation, Series C - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2019	\$ 67,813	\$ 17,187	\$ 85,000
2020	60,176	19,824	80,000
2021	63,036	26,964	90,000
2022	62,263	32,737	95,000
2023	61,020	38,980	100,000
2024-2028	1,063,519	1,386,481	2,450,000
2029-2033	5,580,511	12,314,489	17,895,000
2034-2038	7,662,068	27,412,932	35,075,000
2039-2043	7,072,341	43,028,558	50,100,899
2044-2048	5,991,685	57,967,106	63,958,791
2049-2052	4,142,896	59,524,264	63,667,160
Total	<u>\$ 31,827,328</u>	<u>\$ 201,769,522</u>	<u>\$ 233,596,850</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2012, amounted to \$109,767.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 2011	\$ 16,740
Payments	16,740
Balance, June 30, 2012	<u><u>\$ -</u></u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$1,573,850, and contributions made by the District during the year were \$1,477,926. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$41,956 and \$(46,177), respectively, which resulted in an increase to the net OPEB obligation of \$91,703. As of June 30, 2012, the net OPEB obligation was \$930,828. 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 \$2,197,325 for early retirement incentives granted to terminated employees. Payments will be made as follows:

<u>Year Ending June 30,</u>	<u>PARS Payment</u>
2013	\$ 794,594
2014	794,594
2015	390,568
2016	217,569
Total	<u><u>\$ 2,197,325</u></u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 20,000	\$ -	\$ 1,272	\$ 21,272
Stores inventories	197,939	-	43,753	241,692
Total Nonspendable	217,939	-	45,025	262,964
Restricted				
Legally restricted programs	2,108,767	-	999,472	3,108,239
Capital projects	-	45,475,110	2,983,141	48,458,251
Debt service	-	-	5,962,447	5,962,447
Total Restricted	2,108,767	45,475,110	9,945,060	57,528,937
Committed				
Adult education programs	-	-	722,708	722,708
Deferred maintenance program	-	-	606,988	606,988
Pupil Transportation	-	-	28,194	28,194
Total Committed	-	-	1,357,890	1,357,890
Assigned				
Alternative Education Categorical	76,838	-	-	76,838
El Cap Operation Costs	3,161,292	-	-	3,161,292
Microsoft Settlement	313,546	-	-	313,546
MAA	76,358	-	-	76,358
Future E-Rate Projects	878,948	-	-	878,948
Self-pay retiree health coverage	134,922	-	-	134,922
Technology Refresh	88,702	-	-	88,702
Hourly Programs	1,143,747	-	-	1,143,747
Instructional Materials	1,193,945	-	-	1,193,945
Instructional Program Support	972,085	-	-	972,085
Staff Development	65,402	-	-	65,402
Safety	55,527	-	-	55,527
Future Retiree Benefits	10,638,763	-	-	10,638,763
Teacher Credentialing	77,789	-	-	77,789
Budget Stabilization	9,855,841	-	-	9,855,841
Capital projects	-	-	226,472	226,472
Other	5,452	-	-	5,452
Total Assigned	28,739,157	-	226,472	28,965,629
Unassigned				
Reserve for economic uncertainties	2,594,057	-	-	2,594,057
Total Unassigned	2,594,057	-	-	2,594,057
Total	\$ 33,659,920	\$ 45,475,110	\$ 11,574,447	\$ 90,709,477

MERCED UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2012, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	<u>\$ 39,112,398</u>	<u>\$ 39,655,523</u>	<u>\$ 543,125</u>
Classified salaries	<u>\$ 12,605,357</u>	<u>\$ 13,750,482</u>	<u>\$ 1,145,125</u>
Employee benefits	<u>\$ 16,375,529</u>	<u>\$ 17,436,125</u>	<u>\$ 1,060,596</u>
Capital outlay	<u>\$ 113,336</u>	<u>\$ 223,327</u>	<u>\$ 109,991</u>

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 101 retirees and beneficiaries currently receiving benefits and 877 active plan members.

Contribution Information

For fiscal year 2011-12, the District contributed \$1,477,926 to the plan, all of which was used for current premiums (approximately 78 percent of total premiums). Plan members receiving benefits contributed \$422,176, or approximately 22 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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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	\$ 1,573,850
Interest on net OPEB obligation	41,956
Adjustment to annual required contribution	(46,177)
Annual OPEB cost (expense)	<u>1,569,629</u>
Contributions made	<u>(1,477,926)</u>
Decrease in net OPEB obligation	91,703
Net OPEB obligation, beginning of year	839,125
Net OPEB obligation, end of year	<u><u>\$ 930,828</u></u>

Trend Information

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

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 1,569,629	\$ 1,477,926	94%	\$ 930,828
2011	\$ 1,042,056	\$ 1,489,823	143%	\$ 839,125
2010	\$ 2,456,578	\$ 1,771,366	72%	\$ 1,286,892

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - 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)
March 1, 2012	\$ -	\$ 16,352,081	\$ 16,352,081	0%	\$ 56,449,443	28.97%

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 March 1, 2012, 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, 2011, was 27 years.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, 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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Workers' Compensation

For fiscal year 2012, 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).

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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 2011-12 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, 2012, 2011, and 2010, were \$3,316,409, \$3,256,981, and \$3,451,224, 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 2011-12 was 10.923 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, 2012, 2011, and 2010, were \$1,474,305, \$1,430,286, and \$1,358,164, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use 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.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 \$1,984,913 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 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, 2012.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of legal counsel, it is likely that the claimant will prevail against the District in two of the cases involving construction litigation, however, the disposition of that litigation is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012. There is also one case of threatened litigation in which a claimant has filed for damages in excess of \$3 million. It is too early in this case to make an evaluation of the outcome.

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, 2012**

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
AHS Gym	\$ 6,647,564	June 2013
Atwater High School Replace Sidewalk	233,850	August 2012
Buhach Colony High School Shade Structure	37,514	July 2012
Golden Valley High School Stadium	117,000	June 2013
Livingston High School Enlargement Phase I	60,000	June 2013
Merced High School Gym	5,765,028	June 2013
Merced High School Repair of Tennis Courts	139,321	June 2012
El Capitan High School	34,416,146	June 2013
Merced High School Replace Sidewalk	39,343	August 2012
Tyler & Gerard Road School Site	131,856,335	June 2017
Total	<u>\$ 179,312,101</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, 2012, the District made payment of \$8,418,800 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, 2012, the District made payment of \$451,999 to SISC II for property and liability insurance.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

During the year ended June 30, 2012, the District made payment of \$390,238 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 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has 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.

REQUIRED SUPPLEMENTARY INFORMATION

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MERCED UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Revenue limit sources	\$ 61,729,481	\$ 55,852,264	\$ 60,746,927	\$ 4,894,663
Federal sources	6,342,945	6,951,695	6,524,383	(427,312)
Other state sources	10,934,411	11,898,611	12,417,845	519,234
Other local sources	1,500,953	1,442,458	2,110,602	668,144
Total Revenues ¹	80,507,790	76,145,028	81,799,757	5,654,729
EXPENDITURES				
Current				
Certificated Salaries	39,275,625	39,112,398	39,655,523	(543,125)
Classified salaries	13,353,699	12,605,357	13,750,482	(1,145,125)
Employee benefits	16,482,356	16,375,529	17,436,125	(1,060,596)
Books and supplies	4,684,455	4,856,535	3,673,050	1,183,485
Services and operating expenditures	7,925,707	7,925,707	7,508,035	417,672
Other outgo	768,382	(298,011)	969,342	671,331
Capital outlay	113,536	113,336	223,327	(109,991)
Debt service	16,740	16,740	16,740	-
Total Expenditures ¹	82,620,500	80,707,591	83,232,624	(586,349)
Excess (Deficiency) of Revenues Over Expenditures	(2,112,710)	(4,562,563)	(1,432,867)	5,068,380
Other Financing Sources (Uses):				
Transfers in	1,363,000	363,000	410,311	47,311
Transfers out	(300,000)	(300,000)	(410,034)	(110,034)
Net Financing Sources (Uses)	1,063,000	63,000	277	(62,723)
NET CHANGE IN FUND BALANCES	(1,049,710)	(4,499,563)	(1,432,590)	5,005,657
Fund Balance - Beginning	35,092,510	35,092,510	35,092,510	-
Fund Balance - Ending	\$ 34,042,800	\$ 30,592,947	\$ 33,659,920	\$ 5,005,657

¹ On behalf payments are not included in revenues and expenditures in this schedule. 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, 2012**

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)
March 1, 2012	\$ -	\$ 16,352,081	\$ 16,352,081	0%	\$ 56,449,443	28.97%
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, 2012

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]	\$ 105,507
Readiness and Emergency Management for Schools	84.184E	[1]	68,777
Passed through California Department of Education (CDE):			
Adult Education - Basic	84.002A	14508	145,277
Adult Education - Secondary Education	84.002	13978	38,804
Adult Education - English Literacy	84.002A	14109	54,137
No Child Left Behind			
Title I - Part A, Basic	84.010	14981	2,825,424
Title I - Part A, Program Improvement LEA	84.010	14956	400,745
Title I - Part G, Advanced Placement Fee Assistance	84.330	14831	51,706
Title II - Part A, Improving Teacher Quality	84.367	14341	371,018
Title II - Part A, Administrator Training	84.367	14344	4,182
Title II - Part D, EETT	84.318	14334	9,178
Title III - Immigrant Education	84.365	15146	5,966
Title III - LEP	84.365	14346	154,024
Title X - McKinney-Vento Homeless	84.196	14332	27,647
Education Jobs Fund	84.410	25152	12,131
Special Education: IDEA Basic Local Assistance	84.027	13379	1,761,797
Career and Technical Education, Section 112	84.048	14894	334,182
Career and Technical Education, Section 132	84.048	14893	12,276
Total U.S. Department of Education			<u>6,382,778</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Child Nutrition School Programs-Lunch	10.555	13391	2,417,647
Child Nutrition School Programs-Needy Breakfast	10.553	13526	809,990
Child Nutrition School Programs-Summer Program	10.559	13004	156,059
Food Distribution Program	10.555	13391	253,209
Subtotal, Child Nutrition Cluster			<u>3,636,905</u>
Child Nutrition School Programs-Family Day Care	10.558	13665	17,078
Total U.S. Department of Agriculture			<u>3,653,983</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, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Administrative Activities (Medicaid)	93.778	10060	\$ 375,977
Medi-Cal Billing Option (Medicaid)	93.778	10013	<u>11,883</u>
Total U.S. Department of Health and Human Services			<u>387,860</u>
Total Federal Financial Assistance			<u><u>\$ 10,424,621</u></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, 2012

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
Kurt Kollmann	President	2012
Ida M. Johnson	Vice President	2014
Mike Carpenter	Clerk	2012
Dave Honey	Member	2014
Sam Spangler	Member	2012

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, 2012

	<u>Second Period Report</u>	<u>Annual Report</u>
SECONDARY		
Regular classes	9,034.25	8,973.84
Continuation education	313.87	305.75
Home and hospital	10.13	10.70
Special education	264.59	264.12
Community day	113.76	115.98
Total	<u>9,736.60</u>	<u>9,670.39</u>

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83	Reduced	1986-87	Reduced	2011-12	Number of Days		Status
	Actual	1982-83	Minutes	1986-87		Actual	Traditional	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Grades 9 - 12	61,195	57,115	64,800	60,480				
Grade 9					64,943	180	N/A	Complied
Grade 10					64,943	180	N/A	Complied
Grade 11					64,943	180	N/A	Complied
Grade 12					64,943	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, 2012**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

	(Budget) 2013 ^{1,4}	2012 ⁴	2011 ⁴	2010
GENERAL FUND				
Revenues	\$ 76,145,028	\$ 81,654,530	\$ 86,468,119	\$ 83,253,391
Other sources and transfers in	363,000	4,127,375	2,479,648	711,696
Total Revenues and Other Sources ³	<u>76,508,028</u>	<u>85,781,905</u>	<u>88,947,767</u>	<u>83,965,087</u>
Expenditures	81,414,880	83,232,624	82,918,008	83,071,539
Other uses and transfers out	300,000	3,235,937	2,505,527	569,518
Total Expenditures and Other Uses ³	<u>81,714,880</u>	<u>86,468,561</u>	<u>85,423,535</u>	<u>83,641,057</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ (5,206,852)</u>	<u>\$ (686,656)</u>	<u>\$ 3,524,232</u>	<u>\$ 324,030</u>
ENDING FUND BALANCE	<u>\$ 12,345,678</u>	<u>\$ 17,552,530</u>	<u>\$ 18,239,186</u>	<u>\$ 14,714,954</u>
AVAILABLE RESERVES ²	<u>\$ 2,451,446</u>	<u>\$ 2,594,057</u>	<u>\$ 5,924,188</u>	<u>\$ 2,509,232</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>3.00%</u>	<u>3.00%</u>	<u>6.94%</u>	<u>3.00%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 105,187,237</u>	<u>\$ 73,305,253</u>	<u>\$ 50,772,689</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>9,737</u>	<u>9,737</u>	<u>9,845</u>	<u>9,939</u>

The General Fund balance has increased by \$2,837,878 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$5,206,852 (29.66 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 two of the past three years but anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long-term obligations have increased by \$54,414,548 over the past two years, primarily due to the issuance of General Obligation Bonds.

Average daily attendance has decreased by 202 over the past two years. No change in ADA is anticipated during fiscal year 2012-13.

¹ Budget 2013 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, 2012

	Adult Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 208,601	\$ 57,842	\$ 733,479
Receivables	759,925	3,420	512,312
Due from other funds	410	25,607	1,169
Stores inventories	-	-	43,753
Total Assets	<u>\$ 968,936</u>	<u>\$ 86,869</u>	<u>\$ 1,290,713</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,692	\$ 1,787	\$ 85,234
Due to other funds	240,536	42,300	203,764
Total Liabilities	<u>246,228</u>	<u>44,087</u>	<u>288,998</u>
Fund Balances:			
Nonspendable	-	-	45,025
Restricted	-	42,782	956,690
Committed	722,708	-	-
Assigned	-	-	-
Total Fund Balances	<u>722,708</u>	<u>42,782</u>	<u>1,001,715</u>
Total Liabilities and Fund Balances	<u>\$ 968,936</u>	<u>\$ 86,869</u>	<u>\$ 1,290,713</u>

See accompanying note to supplementary information.

Deferred Maintenance Fund	Pupil Transportation Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
\$ 656,870	\$ 153,894	\$ 1,899,709	\$ 1,084,788	\$ 260,970	\$ 5,890,817
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 656,870</u>	<u>\$ 153,894</u>	<u>\$ 1,899,709</u>	<u>\$ 1,084,788</u>	<u>\$ 260,970</u>	<u>\$ 5,890,817</u>
\$ 39,220	\$ -	\$ 1,356	\$ -	\$ 34,498	\$ -
10,662	125,700	-	-	-	-
<u>49,882</u>	<u>125,700</u>	<u>1,356</u>	<u>-</u>	<u>34,498</u>	<u>-</u>
-	-	-	-	-	-
-	-	1,898,353	1,084,788	-	5,890,817
606,988	28,194	-	-	-	-
-	-	-	-	226,472	-
<u>606,988</u>	<u>28,194</u>	<u>1,898,353</u>	<u>1,084,788</u>	<u>226,472</u>	<u>5,890,817</u>
<u>\$ 656,870</u>	<u>\$ 153,894</u>	<u>\$ 1,899,709</u>	<u>\$ 1,084,788</u>	<u>\$ 260,970</u>	<u>\$ 5,890,817</u>

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MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2012

	Tax Override Fund	Total Non-Major Governmental Funds
ASSETS		
Deposits and investments	\$ 71,630	\$ 11,018,600
Receivables	-	1,275,657
Due from other funds	-	27,186
Stores inventories	-	43,753
Total Assets	\$ 71,630	\$ 12,365,196
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 167,787
Due to other funds	-	622,962
Total Liabilities	-	790,749
Fund Balances:		
Nonspendable	-	45,025
Restricted	71,630	9,945,060
Committed	-	1,357,890
Assigned	-	226,472
Total Fund Balances	71,630	11,574,447
Total Liabilities and Fund Balances	\$ 71,630	\$ 12,365,196

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, 2012**

	<u>Adult Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>
REVENUES				
Federal sources	\$ 246,285	\$ 17,048	\$ 3,383,696	\$ -
Other state sources	1,491,446	509,521	305,837	380,344
Other local sources	406,637	3,421	641,969	5,511
Total Revenues	<u>2,144,368</u>	<u>529,990</u>	<u>4,331,502</u>	<u>385,855</u>
EXPENDITURES				
Current				
Instruction	1,202,896	448,868	-	-
Instruction-related activities:				
Supervision of instruction	34,967	-	-	-
School site administration	533,308	-	-	-
Pupil Services:				
Home-to school transportation	-	-	-	-
Food services	-	11,139	3,994,199	-
All other pupil services	12,668	57,338	-	-
General administration:				
All other general administration	76,165	24,110	182,276	-
Plant services	132,869	543	17,647	179,026
Facility acquisition and construction	-	-	-	250,936
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>1,992,873</u>	<u>541,998</u>	<u>4,194,122</u>	<u>429,962</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>151,495</u>	<u>(12,008)</u>	<u>137,380</u>	<u>(44,107)</u>
Other Financing Sources (Uses):				
Transfers in	-	12,000	272,334	-
Transfers out	-	(12,000)	(272,611)	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(277)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>151,495</u>	<u>(12,008)</u>	<u>137,103</u>	<u>(44,107)</u>
Fund Balance - Beginning	<u>571,213</u>	<u>54,790</u>	<u>864,612</u>	<u>651,095</u>
Fund Balance - Ending	<u>\$ 722,708</u>	<u>\$ 42,782</u>	<u>\$ 1,001,715</u>	<u>\$ 606,988</u>

See accompanying note to supplementary information.

<u>Pupil Transportation Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
241,139	-	2,000,000	-	-	-
992	258,716	12,395	3,883	6,555,129	617
<u>242,131</u>	<u>258,716</u>	<u>2,012,395</u>	<u>3,883</u>	<u>6,555,129</u>	<u>617</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
357,039	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,704	-	-	-	-
-	372,924	-	2,145	-	-
-	1,500	107,300	262,416	-	-
-	-	-	-	1,850,000	-
-	-	-	-	1,313,643	-
<u>357,039</u>	<u>379,128</u>	<u>107,300</u>	<u>264,561</u>	<u>3,163,643</u>	<u>-</u>
<u>(114,908)</u>	<u>(120,412)</u>	<u>1,905,095</u>	<u>(260,678)</u>	<u>3,391,486</u>	<u>617</u>
125,700	-	-	-	-	-
<u>(125,700)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	<u>(2,000,000)</u>	-	-	-
<u>(114,908)</u>	<u>(120,412)</u>	<u>(94,905)</u>	<u>(260,678)</u>	<u>3,391,486</u>	<u>617</u>
143,102	2,018,765	1,179,693	487,150	2,499,331	71,013
<u>\$ 28,194</u>	<u>\$ 1,898,353</u>	<u>\$ 1,084,788</u>	<u>\$ 226,472</u>	<u>\$ 5,890,817</u>	<u>\$ 71,630</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, 2012**

	Total Non-Major Governmental Funds
REVENUES	
Federal sources	\$ 3,647,029
Other state sources	4,928,287
Other local sources	7,889,270
Total Revenues	<u>16,464,586</u>
EXPENDITURES	
Current	
Instruction	1,651,764
Instruction-related activities:	
Supervision of instruction	34,967
School site administration	533,308
Pupil Services:	
Home-to school transportation	357,039
Food services	4,005,338
All other pupil services	70,006
General administration:	
All other general administration	287,255
Plant services	705,154
Facility acquisition and construction	622,152
Debt service	
Principal	1,850,000
Interest and other	1,313,643
Total Expenditures	<u>11,430,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,033,960</u>
Other Financing Sources (Uses):	
Transfers in	410,034
Transfers out	(2,410,311)
Net Financing Sources (Uses)	<u>(2,000,277)</u>
NET CHANGE IN FUND BALANCES	3,033,683
Fund Balance - Beginning	8,540,764
Fund Balance - Ending	<u><u>\$ 11,574,447</u></u>

MERCED UNION HIGH SCHOOL DISTRICT

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS	<u>Scholarships</u>
Deposits and investments	<u>\$ 1,208,447</u>
Total Cash and Assets	<u>\$ 1,208,447</u>
LIABILITIES	
NET ASSETS	
Reserved for scholarships	
Non-Expendable:	
Acker Scholarship	\$ 31,465
Alvernaz Scholarship	20,081
Beal Scholarship	10,875
Callister Scholarship	3,029
Cavaiani Scholarship	10,387
Chamberlain Scholarship	15,757
Landram Scholarship	26,472
Montano Scholarship	7,103
Mudd Scholarship	21,596
Okuda Scholarship	10,196
Roberts Scholarship	9,231
Roveto Scholarship	201,273
Weimer Scholarship	11,451
Expendable:	
AARP Scholarship	4,090
Barnes Scholarship	15,985
Bloss Scholarship	462,340
Brewer, James Memorial Scholarship	17,280
Brewer, Pamela Scholarship	17,029
Broussard Scholarship	2,946
Brown Scholarship	31,982
Church Scholarship	10,939
Crookham Scholarship	1,511
Dallas Scholarship	3,004
Dibblee, Al Scholarship	33,697
Fancher Scholarship	59,398
Fite Scholarship	385
Gear Up Scholarship	4
Granado Scholarship	1,442
Jackson Scholarship	2,537
Joyner Scholarship	109
Kiwanis Scholarship	281

See accompanying note to supplementary information.

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MERCED UNION HIGH SCHOOL DISTRICT

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS, Continued
JUNE 30, 2012**

NET ASSETS, Continued

Reserved for scholarships

Expendable:

	<u>Scholarships</u>
Lau Scholarship	\$ 4,199
Lockwood Scholarship	9,754
Martinelli Scholarship	285
McCollum Scholarship	3,393
McPherson-Hanson Scholarship	132
Mitchell Scholarship	146
Moberly Scholarship	5,543
Newhall Scholarship	26,705
Prince Scholarship	90,888
Rohm Scholarship	56
Sodexo Scholarship	139
Souza Scholarship	11,618
Thompson, Bob Scholarship	757
Yagi Scholarship	10,957
Total Net Assets Reserved for Scholarships	<u>\$ 1,208,447</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, 2012**

	<u>Acker Scholarship</u>	<u>Alvernaz Scholarship</u>	<u>Beal Scholarship</u>	<u>Callister Scholarship</u>	<u>Cavaiani Scholarship</u>
ADDITIONS					
Trust income	\$ -	\$ -	\$ 178	\$ -	\$ -
Interest income	-	-	-	6	-
Total Additions	<u>-</u>	<u>-</u>	<u>178</u>	<u>6</u>	<u>-</u>
DEDUCTIONS					
Scholarships awarded	188	207	-	-	120
Total Deductions	<u>188</u>	<u>207</u>	<u>-</u>	<u>-</u>	<u>120</u>
Change in Net Assets	(188)	(207)	178	6	(120)
Net Assets - Beginning	<u>31,653</u>	<u>20,288</u>	<u>10,697</u>	<u>3,023</u>	<u>10,507</u>
Net Assets - Ending	<u>\$ 31,465</u>	<u>\$ 20,081</u>	<u>\$ 10,875</u>	<u>\$ 3,029</u>	<u>\$ 10,387</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>
\$ 9,190	\$ -	\$ -	\$ -	\$ -	\$ 18	\$ 15,643
1	-	-	45	22	-	3
<u>9,191</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>22</u>	<u>18</u>	<u>15,646</u>
-	70	585	-	-	-	-
-	70	585	-	-	-	-
9,191	(70)	(585)	45	22	18	15,646
<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>
<u>\$ 15,757</u>	<u>\$ 26,472</u>	<u>\$ 7,103</u>	<u>\$ 21,596</u>	<u>\$ 10,196</u>	<u>\$ 9,231</u>	<u>\$ 201,273</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, 2012

	Weimer Scholarship	Total Non-Expendable Scholarships
ADDITIONS		
Trust income	\$ 539	\$ 25,568
Interest income	-	77
Total Additions	<u>539</u>	<u>25,645</u>
DEDUCTIONS		
Scholarships awarded	-	1,170
Total Deductions	<u>-</u>	<u>1,170</u>
Change in Net Assets	539	24,475
Net Assets - Beginning	<u>10,912</u>	<u>354,441</u>
Net Assets - Ending	<u>\$ 11,451</u>	<u>\$ 378,916</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, 2012

	AARP Scholarship	Barnes Scholarship	Bloss Scholarship	Brewer, James Scholarship	Brewer, Pamela Scholarship
ADDITIONS					
Trust income	\$ -	\$ 1,029	\$ -	\$ 50	\$ 50
Interest income	-	-	11	-	-
Total Additions	<u>-</u>	<u>1,029</u>	<u>11</u>	<u>50</u>	<u>50</u>
DEDUCTIONS					
Scholarships awarded	741	-	18,205	-	-
Total Deductions	<u>741</u>	<u>-</u>	<u>18,205</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(741)	1,029	(18,194)	50	50
Net Assets - Beginning	<u>4,831</u>	<u>14,956</u>	<u>480,534</u>	<u>17,230</u>	<u>16,979</u>
Net Assets - Ending	<u>\$ 4,090</u>	<u>\$ 15,985</u>	<u>\$ 462,340</u>	<u>\$ 17,280</u>	<u>\$ 17,029</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>
\$ 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3	-	-	-	3	4
<u>54</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>4</u>
-	4,960	96	497	1,679	709	19,360
-	4,960	96	497	1,679	709	19,360
54	(4,957)	(96)	(497)	(1,679)	(706)	(19,356)
<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>
<u>\$ 2,946</u>	<u>\$ 31,982</u>	<u>\$ 10,939</u>	<u>\$ 1,511</u>	<u>\$ 3,004</u>	<u>\$ 33,697</u>	<u>\$ 59,398</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, 2012**

	<u>Fite Scholarship</u>	<u>Gear Up Scholarship</u>	<u>Granado Scholarship</u>	<u>Jackson Scholarship</u>	<u>Joyner Scholarship</u>
ADDITIONS					
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	1	1,519	-	-
Total Additions	<u>-</u>	<u>1</u>	<u>1,519</u>	<u>-</u>	<u>-</u>
DEDUCTIONS					
Scholarships awarded	-	-	-	195	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>195</u>	<u>-</u>
Change in Net Assets	-	1	1,519	(195)	-
Net Assets - Beginning	<u>385</u>	<u>3</u>	<u>(77)</u>	<u>2,732</u>	<u>109</u>
Net Assets - Ending	<u>\$ 385</u>	<u>\$ 4</u>	<u>\$ 1,442</u>	<u>\$ 2,537</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>
\$ -	\$ -	\$ 20	\$ 1	\$ -	\$ -	\$ -
-	-	-	-	5	-	-
-	-	20	1	5	-	-
-	936	-	-	-	-	-
-	936	-	-	-	-	-
-	(936)	20	1	5	-	-
281	5,135	9,734	284	3,388	132	146
<u>\$ 281</u>	<u>\$ 4,199</u>	<u>\$ 9,754</u>	<u>\$ 285</u>	<u>\$ 3,393</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, 2012**

	<u>Moberly Scholarship</u>	<u>Newhall Scholarship</u>	<u>Prince Scholarship</u>	<u>Rohm Scholarship</u>	<u>Sodexo Scholarship</u>
ADDITIONS					
Trust income	\$ 12	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Total Additions	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCTIONS					
Scholarships awarded	-	1,319	10,650	-	-
Total Deductions	<u>-</u>	<u>1,319</u>	<u>10,650</u>	<u>-</u>	<u>-</u>
Change in Net Assets	12	(1,319)	(10,650)	-	-
Net Assets - Beginning	<u>5,531</u>	<u>28,024</u>	<u>101,538</u>	<u>56</u>	<u>139</u>
Net Assets - Ending	<u>\$ 5,543</u>	<u>\$ 26,705</u>	<u>\$ 90,888</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>
\$ -	\$ -	\$ 17	\$ 1,233	\$ 26,801
-	-	-	1,546	1,623
-	-	17	2,779	28,424
<u>175</u>	<u>499</u>	<u>-</u>	<u>60,021</u>	<u>61,191</u>
<u>175</u>	<u>499</u>	<u>-</u>	<u>60,021</u>	<u>61,191</u>
(175)	(499)	17	(57,242)	(32,767)
<u>11,793</u>	<u>1,256</u>	<u>10,940</u>	<u>886,773</u>	<u>1,241,214</u>
<u>\$ 11,618</u>	<u>\$ 757</u>	<u>\$ 10,957</u>	<u>\$ 829,531</u>	<u>\$ 1,208,447</u>

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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 amount consists of the fair value of commodities received by the District that are not recorded 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:		\$ 10,171,412
Reconciling item:		
Food Distribution	10.555	<u>253,209</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 10,424,621</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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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.

Sodexho Scholarship

Sodexho 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, 2012

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, 2012, which collectively comprise Merced Union High School District's basic financial statements and have issued our report thereon dated December 14, 2012. 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.

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.

Internal Control Over Financial Reporting

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 previously.

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 December 14, 2012.

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.

Vavrieh, Trine, Day + Co. LLP

Fresno, California
December 14, 2012



**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, 2012. 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, 2012.

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.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 14, 2012



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 Audits of California K-12 Local Educational Agencies 2011-12*, applicable to Merced Union High School District's government programs as noted below for the year ended June 30, 2012. 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 2011-12* 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, 2012.

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:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes (see below)
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable

	<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
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	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
Districts 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	5	Not Applicable
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable

We did not perform the continuation education compliance procedures relating to work experience or independent study because the District's continuation program does not operate these components.

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.

Vavrinek, Trine, Page + Co. LLP

Fresno, California
December 14, 2012

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, 2012**

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?	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Part A Programs</u>
<u>84.367</u>	<u>Title II - Part A Programs</u>
<u>84.027</u>	<u>Special Education: IDEA Basic Local Assistance</u>
<u>84.048</u>	<u>Career and Technical Education Programs</u>
<u>93.778</u>	<u>Medicaid Programs</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 312,739</u>
Auditee qualified as low-risk auditee?	<u>No</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, 2012**

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

