

**MERCED UNION HIGH SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2014**

# MERCED UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2014

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Merced Union High School District  
Merced, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 11, budgetary comparison information and other postemployment benefit information on pages 54 and 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Merced Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Merced Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Merced Union High School District's internal control over financial reporting and compliance.

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 11, 2014



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Castle Commerce Center, 3430 A Street, Atwater, California 95301  
Mailing: PO Box 2147, Merced, California 95344  
www.muhsd.k12.ca.us 209-385-6400 (Fax 209-385-6442)

**Superintendent**  
V. Scott Scambray, Ed.D.

**Assistant Superintendents**  
Tammie Calzadillas, Ed. D.  
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**Board of Trustees**  
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Dave Honey  
Ida M. Johnson  
William Snyder  
Sam Spangler

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Merced Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. 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 position.

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

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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, 2014

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

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 Position* 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, 2014

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### 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 Position* and the *Statement of Changes in Fund Net Position*. 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 Position

The District's total net position was \$121.8 million for the fiscal year ended June 30, 2014, and \$131.5 million for the fiscal year ended June 30, 2013; a decrease of \$9.7 million. Restricted net position, which totaled \$15.3 million, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

(Amounts in millions)

	School District Activities		
	2014	2013	Variance
<b>Assets</b>			
Current and other assets	\$ 46.4	\$ 53.3	\$ (6.9)
Capital assets	199.6	200.3	(0.7)
<b>Total Assets</b>	<u>246.0</u>	<u>253.6</u>	<u>(7.6)</u>
<b>Liabilities</b>			
Current liabilities	8.0	8.3	(0.3)
Long-term obligations	116.2	113.8	2.4
<b>Total Liabilities</b>	<u>124.2</u>	<u>122.1</u>	<u>2.1</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	86.8	91.6	(4.8)
Restricted	15.3	12.7	2.6
Unrestricted	19.7	27.2	(7.5)
<b>Total Net Position</b>	<u>\$ 121.8</u>	<u>\$ 131.5</u>	<u>\$ (9.7)</u>

The \$19.7 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 27.6 percent (\$19.7 million compared to \$27.2 million).

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

### Changes in Net Position

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		
	2014	2013	Variance
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 1.1	\$ 1.2	\$ (0.1)
Operating grants and contributions	18.9	16.1	2.8
General revenues:			
Federal and state aid not restricted	65.0	59.9	5.1
Property taxes	17.7	16.6	1.1
Other general revenues	2.8	2.4	0.4
<b>Total Revenues</b>	<u>105.5</u>	<u>96.2</u>	<u>9.3</u>
<b>Expenses</b>			
Instruction related	72.3	65.1	7.2
Student support services	15.4	13.9	1.5
Administration	6.3	5.4	0.9
Plant services	12.0	10.8	1.2
Other	9.2	14.4	(5.2)
<b>Total Expenses</b>	<u>115.2</u>	<u>109.6</u>	<u>5.6</u>
<b>Change in Net Position</b>	<u>\$ (9.7)</u>	<u>\$ (13.4)</u>	<u>\$ 3.7</u>

### Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$115.2 million as compared to \$109.6 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$17.7 million because the cost was paid by those who benefited from the programs (\$1.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$18.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$67.8 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 related, student support services, administration, plant services, 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, 2014

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Table 3

(Dollar amounts in millions)	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction related	\$ 72.3	\$ 65.1	\$ 59.0	\$ 54.7
Student support services	15.4	13.9	9.6	8.4
Administration	6.3	5.4	5.5	4.6
Plant services	12.0	10.8	12.0	10.8
Other	9.2	14.4	9.0	13.8
<b>Total</b>	<b>\$ 115.2</b>	<b>\$ 109.6</b>	<b>\$ 95.1</b>	<b>\$ 92.3</b>

The District's net cost of activities for the current year was \$95.1 million as compared to \$92.3 million in the prior year. A majority of the District's expenses were related to the education and support of its students (62.8 percent).

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of \$38.1 million, while the prior year reported a balance of \$44.7 million, which is a decrease of \$6.6 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances	
	June 30, 2014	June 30, 2013
General Fund	\$ 25.6	\$ 30.2
Bond Interest and Redemption Fund	8.6	7.0
Non-Major Funds	3.9	7.5
<b>Total</b>	<b>\$ 38.1</b>	<b>\$ 44.7</b>

The primary reasons for these changes are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from \$30.2 million to \$25.6 million. This decrease is due primarily to continued declining enrollment and increased instruction related costs.
- The Bond Interest and Redemption Fund increased by approximately \$1.6 million as property taxes for debt service exceeded debt service payments.
- Although the combined Non-Major Funds had positive net inter-fund transfers of more than \$1.0 million, they had a combined decrease of more than \$3.6 million due primarily to maintenance and capital outlay costs.

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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### 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 23, 2014. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had \$199.6 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2013, the net capital assets totaled \$200.2 million. This amount represents a net decrease (including additions, deductions and depreciation) of approximately \$0.6 million.

Table 5

(Amounts in millions)	Governmental Activities		
	2014	2013	Variance
Land	\$ 13.3	\$ 13.3	\$ -
Construction in progress	107.8	125.3	(17.5)
Buildings and improvements	74.9	58.5	16.4
Equipment	3.6	3.1	0.5
<b>Total</b>	<b>\$ 199.6</b>	<b>\$ 200.2</b>	<b>\$ (0.6)</b>

This year's additions included completion of a new high school and various other projects. See Notes to Financial Statements for additional information on capital assets.

#### Long-Term Obligations

At the end of this year, the District had \$116.2 million in long-term obligations outstanding versus \$113.8 million last year, an increase of \$2.4 million. The increase is primarily due to issuance of General Obligation Bonds.

Table 6

(Amounts in millions)	Governmental Activities		
	2014	2013	Variance
General obligation bonds	\$ 113.2	\$ 110.6	\$ 2.6
Compensated absences/comp time	0.3	0.1	0.2
Postemployment benefits	1.6	1.1	0.5
Public agency retirement system	1.1	2.0	(0.9)
<b>Total</b>	<b>\$ 116.2</b>	<b>\$ 113.8</b>	<b>\$ 2.4</b>

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

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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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.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

#### 2014-15 General Fund Revenue Budget Assumptions

- 0.85 percent Revenue Limit cost of living adjustment (COLA)
- Projected P-2 ADA is 9,369, a decline from prior year
- Projected Lottery revenue is \$126 per ADA for unrestricted lottery and \$30 per ADA for restricted instructional materials
- Transfer in of \$1,000,000 from Fund 20 to offset pay-as-you-go retiree health coverage payments
- Transfer in from Fund 20 interest earned to offset pay-as-you-go insurance liability
- 0.85 percent COLA for special education and state categorical funding

#### 2013-14 General Fund Expenditure Budget Assumptions

- 1.5 percent step and column increase
- 2.0 percent on salary schedule increase
- Transfer out of \$50,000 to Fund 11, \$489,519 to Fund 12, \$750,000 to Fund 14, \$150,000 to Fund 15
- Health Insurance cap of \$9,300 for certificated and management and \$10,209 for classified staff

Based upon the 2014-2015 budget the district will be able to meet its financial obligations for 2014-2015, for two subsequent fiscal years, 2015-2016 and 2016-2017, and maintain a reserve for economic uncertainties equal to or above the required 3.0 percent minimum.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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 POSITION JUNE 30, 2014

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 30,477,733
Receivables	15,378,041
Stores inventories	324,533
Deferred charges-discount on debt issuance	260,336
Nondepreciable capital assets	121,109,602
Capital assets being depreciated	144,642,960
Accumulated depreciation	<u>(66,183,255)</u>
<b>Total Assets</b>	<u><u>246,009,950</u></u>
<b>LIABILITIES</b>	
Accounts payable	7,928,347
Unearned revenue	111,113
Current portion of long-term obligations	2,859,836
Noncurrent portion of long-term obligations	<u>113,311,197</u>
<b>Total Liabilities</b>	<u><u>124,210,493</u></u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	86,758,071
Restricted for:	
Debt service	8,599,546
Capital projects	1,660,901
Educational programs	4,032,947
Other activities	1,043,255
Unrestricted	<u>19,704,737</u>
<b>Total Net Position</b>	<u><u>\$ 121,799,457</u></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, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 58,807,901	\$ 483,690	\$ 11,797,790	\$ (46,526,421)
Instruction-related activities:				
Supervision of instruction	2,935,802	7,164	821,412	(2,107,226)
Instructional library, media and technology	1,389,300	-	28,148	(1,361,152)
School site administration	9,113,776	33	125,770	(8,987,973)
Pupil services:				
Home-to-school transportation	2,789,683	5,121	427,617	(2,356,945)
Food services	4,885,369	583,742	4,113,878	(187,749)
All other pupil services	7,721,518	2,782	605,714	(7,113,022)
General administration:				
Data processing	1,295,527	-	-	(1,295,527)
All other general administration	5,021,022	33,296	781,880	(4,205,846)
Plant services	12,027,889	2,754	21,051	(12,004,084)
Ancillary services	1,562,361	-	-	(1,562,361)
Enterprise services	225,646	-	-	(225,646)
Interest on long-term obligations	6,105,272	-	-	(6,105,272)
Other outgo	1,332,148	18,379	229,259	(1,084,510)
<b>Total Governmental-Type Activities</b>	<b>\$ 115,213,214</b>	<b>\$ 1,136,961</b>	<b>\$ 18,952,519</b>	<b>(95,123,734)</b>
General revenues and subventions:				
				12,700,032
				4,911,769
				61,949
				65,010,236
				228,221
				37,044
				2,495,935
			<b>Subtotal, General Revenues</b>	<b>85,445,186</b>
			<b>Change in Net Position</b>	<b>(9,678,548)</b>
			Net Position - Beginning	131,478,005
			Net Position - Ending	<b>\$ 121,799,457</b>

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

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>			
Deposits and investments	\$ 17,905,744	\$ 8,599,546	\$ 3,972,443
Receivables	14,559,131	-	818,910
Due from other funds	1,635,324	-	1,595,063
Stores inventories	220,255	-	104,278
<b>Total Assets</b>	<b>\$ 34,320,454</b>	<b>\$ 8,599,546</b>	<b>\$ 6,490,694</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,962,913	\$ -	\$ 965,434
Due to other funds	1,592,907	-	1,637,480
Unearned revenue	111,113	-	-
<b>Total Liabilities</b>	<b>8,666,933</b>	<b>-</b>	<b>2,602,914</b>
<b>FUND BALANCES</b>			
Nonspendable	240,255	-	105,485
Restricted	3,996,152	8,599,546	3,028,814
Committed	-	-	753,481
Assigned	10,695,410	-	-
Unassigned	10,721,704	-	-
<b>Total Fund Balances</b>	<b>25,653,521</b>	<b>8,599,546</b>	<b>3,887,780</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 34,320,454</b>	<b>\$ 8,599,546</b>	<b>\$ 6,490,694</b>

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

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**Total  
Governmental  
Funds**

\$ 30,477,733  
15,378,041  
3,230,387  
324,533  
\$ 49,410,694

\$ 7,928,347  
3,230,387  
111,113  
11,269,847

345,740  
15,624,512  
753,481  
10,695,410  
10,721,704  
38,140,847

\$ 49,410,694

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**MERCED UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 38,140,847</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 265,752,562	
Accumulated depreciation is	<u>(66,183,255)</u>	
Total capital assets		199,569,307
Bond discounts are reported as an asset on the Statement of Net Position and are amortized over the remaining life of the debt.		260,336
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	(113,204,584)	
Compensated absences	(279,977)	
Other postemployment benefits	(1,630,535)	
Public agency retirement system	<u>(1,055,937)</u>	
Total long-term obligations		<u>(116,171,033)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 121,799,457</u></b>

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, 2014**

	<b>General Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>REVENUES</b>		
Local Control Funding Formula	\$ 72,566,896	\$ -
Federal sources	7,392,315	-
Other state sources	10,207,434	-
Other local sources	2,202,413	4,949,747
<b>Total Revenues</b>	<b>92,369,058</b>	<b>4,949,747</b>
<b>EXPENDITURES</b>		
Current		
Instruction	52,538,792	-
Instruction-related activities:		
Supervision of instruction	2,927,082	-
Instructional library, media and technology	1,327,185	-
School site administration	8,510,800	-
Pupil Services:		
Home-to-school transportation	2,606,517	-
Food services	28,360	-
All other pupil services	7,712,007	-
General administration:		
Data processing	1,320,761	-
All other general administration	4,706,279	-
Plant services	10,558,229	-
Facility acquisition and construction	542,667	-
Ancillary services	1,562,361	-
Other outgo	1,332,148	-
Enterprise services	225,646	-
Debt service		
Principal	-	2,195,000
Interest and other	-	1,173,368
<b>Total Expenditures</b>	<b>95,898,834</b>	<b>3,368,368</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,529,776)</b>	<b>1,581,379</b>
<b>Other Financing Sources (Uses):</b>		
Transfers in	1,109,871	-
Transfers out	(2,175,863)	-
<b>Net Financing Sources (Uses)</b>	<b>(1,065,992)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,595,768)</b>	<b>1,581,379</b>
<b>Fund Balance - Beginning</b>	<b>30,249,289</b>	<b>7,018,167</b>
<b>Fund Balance - Ending</b>	<b>\$ 25,653,521</b>	<b>\$ 8,599,546</b>

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

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<b>Non-Major Governmental Funds</b>		<b>Total Governmental Funds</b>	
\$	1,135,480	\$	73,702,376
	3,678,279		11,070,594
	343,206		10,550,640
	3,058,896		10,211,056
	<u>8,215,861</u>		<u>105,534,666</u>
	1,728,360		54,267,152
	42,917		2,969,999
	-		1,327,185
	593,490		9,104,290
	-		2,606,517
	4,792,435		4,820,795
	49,610		7,761,617
	-		1,320,761
	398,353		5,104,632
	934,927		11,493,156
	4,330,316		4,872,983
	-		1,562,361
	-		1,332,148
	-		225,646
	-		2,195,000
	-		1,173,368
	<u>12,870,408</u>		<u>112,137,610</u>
	<u>(4,654,547)</u>		<u>(6,602,944)</u>
	2,175,863		3,285,734
	(1,109,871)		(3,285,734)
	<u>1,065,992</u>		<u>-</u>
	(3,588,555)		(6,602,944)
	7,476,335		44,743,791
\$	<u>3,887,780</u>	\$	<u>38,140,847</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, 2014**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (6,602,944)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Capital outlays	\$ 5,335,905	
Depreciation expense	<u>(5,967,199)</u>	(631,294)

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 \$4,827,432 of additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds. (4,827,432)

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 \$176,709. (176,709)

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 decrease to the early retirement obligation was: 943,862

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, 2013**

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Governmental funds report the effect of premiums, discounts, 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.

Amortization during the year was:

Discount on issuance	\$ (7,036)	
Cost of issuance	<u>(97,436)</u>	
Combined adjustment		\$ (104,472)

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

General obligation bonds	2,195,000
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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:

	(474,559)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (9,678,548)</u></b>

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

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

	Private- Purpose Trusts	Agency		Total
	Scholarships	Deferred Compensation	Student Body	
<b>ASSETS</b>				
Deposits and investments	\$ 1,490,889	\$ 1,396,889	\$ 722,430	\$ 3,610,208
<b>Total Assets</b>	<u>\$ 1,490,889</u>	<u>\$ 1,396,889</u>	<u>\$ 722,430</u>	<u>\$ 3,610,208</u>
<b>LIABILITIES</b>				
Due to student groups and employees	\$ -	\$ 1,396,889	\$ 722,430	\$ 2,119,319
<b>Total Liabilities</b>	<u>-</u>	<u>1,396,889</u>	<u>722,430</u>	<u>2,119,319</u>
<b>NET POSITION</b>				
Reserved for scholarships	1,490,889	-	-	1,490,889
<b>Total Net Position</b>	<u>\$ 1,490,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,490,889</u>

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Private- Purpose Trusts</b>
	<b>Scholarships</b>
<b>ADDITIONS</b>	
Trust income	\$ 311,531
Interest	3,574
<b>Total Additions</b>	<u>315,105</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	593,585
<b>Total Deductions</b>	<u>593,585</u>
<b>Change in Net Position</b>	(278,480)
<b>Net Position - Beginning</b>	<u>1,769,369</u>
<b>Net Position - Ending</b>	<u><u>\$ 1,490,889</u></u>

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### 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 four campuses. Merced High School, Golden Valley High School, and El Capitan High School 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 and Buhach Colony High School have 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, 2014

---

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 \$15,221,284, \$15,221,284, and \$87,292, respectively.

**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).

### Non-Major Governmental Funds

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

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

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

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

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

**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, 2014

---

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

**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.

**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), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**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 debt.

**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 two classifications: 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.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### **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.

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

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental 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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

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

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

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

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

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

### **Investments**

Investments held at June 30, 2014, 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 the county investment pool are determined by the program sponsor.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### **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.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. 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 column of the statement of net position.

### **Compensated Absences**

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Premiums and Discounts

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

In governmental fund financial statements, debt premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

### Fund Balances - Governmental Funds

As of June 30, 2014, 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.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Minimum Fund Balance Policy

In fiscal year 2010-2011, 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 Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$15,336,649 of restricted net position.

### Interfund Activity

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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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.

### Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014, which did not have a material effect on the District's financial statements.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### New Accounting Pronouncements

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

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

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

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

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

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 30,477,733
Fiduciary funds	3,610,208
Total Deposits and Investments	<u>\$ 34,087,941</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 718,055
Cash in revolving	21,207
Investments	33,348,679
Total Deposits and Investments	<u>\$ 34,087,941</u>

#### Policies and Practices

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

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



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### 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	\$ 2,117,469	\$ 2,117,469	\$ -	\$ -	\$ -
Certificates of Deposit	775,084	675,084	100,000	-	-
County Pool	30,471,354	-	30,471,354	-	-
Total	<u>\$ 33,363,907</u>	<u>\$ 2,792,553</u>	<u>\$ 30,571,354</u>	<u>\$ -</u>	<u>\$ -</u>

### 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, 2014, \$241,940 of the District's bank balances were exposed to custodial credit risk because it was uninsured and uncollateralized 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 and Certificates of Deposit of \$2,891,273, the District has a custodial credit risk exposure of \$2,391,273, 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.

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2014, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 1,144,167	\$ 633,908	\$ 1,778,075
State Government			
State principal apportionment	11,505,825	-	11,505,825
Other State Sources	794,912	30,964	825,876
Local Sources	1,114,227	154,038	1,268,265
Total	<u>\$ 14,559,131</u>	<u>\$ 818,910</u>	<u>\$ 15,378,041</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,296,486	\$ -	\$ -	\$ 13,296,486
Construction in progress	125,260,425	3,475,724	20,923,033	107,813,116
Total Capital Assets Not Being Depreciated	<u>138,556,911</u>	<u>3,475,724</u>	<u>20,923,033</u>	<u>121,109,602</u>
Capital Assets being depreciated				
Land improvements	16,252,531	3,226,836	-	19,479,367
Buildings and improvements	92,327,117	18,355,379	-	110,682,496
Furniture and equipment	13,323,817	1,200,999	43,719	14,481,097
Total Capital Assets Being Depreciated	<u>121,903,465</u>	<u>22,783,214</u>	<u>43,719</u>	<u>144,642,960</u>
Less Accumulated Depreciation				
Land improvements	11,575,838	611,631	-	12,187,469
Buildings and improvements	38,457,236	4,590,663	-	43,047,899
Furniture and equipment	10,226,701	764,905	43,719	10,947,887
Total Accumulated Depreciation	<u>60,259,775</u>	<u>5,967,199</u>	<u>43,719</u>	<u>66,183,255</u>
Governmental Activities Capital Assets, Net	<u>\$ 200,200,601</u>	<u>\$ 20,291,739</u>	<u>\$ 20,923,033</u>	<u>\$ 199,569,307</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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Depreciation expense was charged to governmental functions as follows:

### Governmental Activities

Instruction	\$ 4,789,691
Instructional library, media, and technology	92,174
School site administration	74,189
Home-to-school transportation	212,662
Food services	80,457
All other pupil services	4,663
Data processing	29,206
All other general administration	72,230
Plant services	611,927
Total Depreciation Expenses, Governmental Activities	<u>\$ 5,967,199</u>

### 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, 2014, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 1,635,324	\$ 1,592,907
Non-Major Governmental Funds		
Adult Education	806,662	613,167
Child Development	153	153,760
Cafeteria	3,870	409,640
Deferred Maintenance	754,378	251,351
Pupil Transportation	30,000	209,562
Total Non-Major Governmental Funds	<u>1,595,063</u>	<u>1,637,480</u>
Total All Governmental Funds	<u>\$ 3,230,387</u>	<u>\$ 3,230,387</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**Operating Transfers**

Interfund transfers for the year ended June 30, 2014, consist of the following:

The General Fund transferred to the Deferred Maintenance Fund for future repair and maintenance costs.	\$ 880,344
The General Fund transferred to the Cafeteria Fund for a temporary loan.	141,000
The General Fund transferred to the Adult Fund for the ASSET program.	50,000
The General Fund transferred to the Pupil Transportation Fund for student transportation equipment.	30,000
The General Fund transferred to the Child Development Fund for a temporary loan.	389,519
The Cafeteria Fund transferred to the General Fund to repay a temporary loan.	142,784
The Pupil Transportation Fund transferred to the General Fund for purchase of a vehicle.	209,562
The Tax Override Fund transferred to the General Fund to close the fund.	72,525
The Building Fund transferred to the General Fund to repay a temporary loan.	685,000
The General Fund transferred to the Building Fund for a temporary loan.	685,000
Total	<u><u>\$ 3,285,734</u></u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2014, consist of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,571,062	\$ 869,371	\$ 3,440,433
Salaries and benefits payable	466,433	96,063	562,496
State principal apportionment	2,519,397	-	2,519,397
Deferred payroll	1,406,021	-	1,406,021
Total	<u><u>\$ 6,962,913</u></u>	<u><u>\$ 965,434</u></u>	<u><u>\$ 7,928,347</u></u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2014, consists of the following:

	<u>General Fund</u>
Federal financial assistance	\$ 98,740
State categorical aid	12,373
Total	<u>\$ 111,113</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	<u>Balance July 1, 2013</u>	<u>Additions and Accretion</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due in One Year</u>
1999 Capital Appreciation Bonds, Series A	\$ 20,037,491	\$ 1,036,549	\$ 2,000,000	\$ 19,074,040	\$ 2,045,000
2009 Current Interest Bonds, Series A	21,740,000	-	195,000	21,545,000	275,000
2009 Capital Appreciation Bonds, Series A	2,039,822	178,900	-	2,218,722	-
2011 Current Interest Bonds, Series B-1	25,000,000	-	-	25,000,000	-
2011 Capital Appreciation Bonds, Series B	608,556	73,320	-	681,876	-
2011 Capital Appreciation Bonds, Series C	41,146,283	3,538,663	-	44,684,946	-
Compensated absences/comp time	103,268	176,709	-	279,977	-
Other postemployment benefits	1,155,976	1,676,557	1,201,998	1,630,535	-
Public Agency Retirement System	1,999,799	-	943,862	1,055,937	539,836
Total	<u>\$ 113,831,195</u>	<u>\$ 6,680,698</u>	<u>\$ 4,340,860</u>	<u>\$ 116,171,033</u>	<u>\$ 2,859,836</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 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, 2014

### 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, 2013	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2014
Capital Appreciation								
Series A	08/01/99	8/1/24	5.4-5.75	\$ 9,221,061	\$ 20,037,491	\$ 1,036,549	\$ 2,000,000	\$ 19,074,040
Current Interest								
Series A	04/17/09	8/1/29	2.0-5.0	23,560,000	21,740,000	-	195,000	21,545,000
Capital Appreciation								
Series A	04/17/09	8/1/34	5.4-5.75	1,439,944	2,039,822	178,900	-	2,218,722
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	608,556	73,320	-	681,876
Capital Appreciation								
Series C	11/09/11	8/1/51	3.80-7.42	30,489,821	41,146,283	3,538,663	-	44,684,946
Total				<u>\$90,173,371</u>	<u>\$110,572,152</u>	<u>\$ 4,827,432</u>	<u>\$ 2,195,000</u>	<u>\$113,204,584</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, 2014

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The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of \$462,565 (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 \$30,489,821 (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. 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 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2015	\$ 2,045,000	\$ -	\$ 2,045,000
2016	1,978,812	111,188	2,090,000
2017	1,916,156	223,844	2,140,000
2018	1,848,510	336,490	2,185,000
2019	1,784,871	450,129	2,235,000
2020-2024	8,051,495	3,908,505	11,960,000
2025	1,449,196	1,105,804	2,555,000
Total	<u>\$ 19,074,040</u>	<u>\$ 6,135,960</u>	<u>\$ 25,210,000</u>



**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

2009 Current Interest, Series A - Payment Summary:

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	565,000	980,443	1,545,443
2019	675,000	956,350	1,631,350
2020-2024	5,540,000	4,171,650	9,711,650
2025-2029	10,690,000	2,206,750	12,896,750
2030	2,975,000	74,375	3,049,375
Total	<u>\$ 21,545,000</u>	<u>\$ 11,423,479</u>	<u>\$ 32,968,479</u>

2009 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2031	\$ 1,153,248	\$ 2,126,752	\$ 3,280,000
2032	659,178	2,850,822	3,510,000
2035	406,296	3,773,704	4,180,000
Total	<u>\$ 2,218,722</u>	<u>\$ 8,751,278</u>	<u>\$ 10,970,000</u>

2011 Current Interest, Series B-1 - Payment Summary

The bonds mature through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ -	\$ 1,492,212	\$ 1,492,212
2016	-	1,492,212	1,492,212
2017	-	1,492,213	1,492,213
2018	9,655,000	1,492,213	11,147,213
2019	1,805,000	972,870	2,777,870
2020-2024	9,160,000	3,308,841	12,468,841
2025-2026	4,380,000	444,935	4,824,935
Total	<u>\$ 25,000,000</u>	<u>\$ 10,695,496</u>	<u>\$ 35,695,496</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### 2011 Capital Appreciation, Series B - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2027	\$ 348,270	\$ 1,061,730	\$ 1,410,000
2028	333,606	1,076,394	1,410,000
Total	<u>\$ 681,876</u>	<u>\$ 2,138,124</u>	<u>\$ 2,820,000</u>

### 2011 Capital Appreciation, Series C - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2019	\$ 73,117	\$ 11,883	\$ 85,000
2020	65,280	14,720	80,000
2021	68,904	21,096	90,000
2022	68,400	26,600	95,000
2023	67,360	32,640	100,000
2024-2028	1,196,269	1,253,731	2,450,000
2029-2033	6,331,638	11,563,362	17,895,000
2034-2038	8,736,225	26,338,775	35,075,000
2039-2043	11,030,339	39,070,560	50,100,899
2044-2048	10,413,955	53,544,836	63,958,791
2049-2052	6,633,459	57,033,701	63,667,160
Total	<u>\$ 44,684,946</u>	<u>\$ 188,911,904</u>	<u>\$ 233,596,850</u>

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$279,977.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$1,687,105, and contributions made by the District during the year were \$1,201,998. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$54,909 and \$(65,457), respectively, which resulted in an increase to the net OPEB obligation of \$474,559. As of June 30, 2014, the net OPEB obligation was \$1,630,535. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**Early Retirement**

The District has obligations to the Public Agency Retirement System totaling \$1,055,937 for early retirement incentives granted to terminated employees. Payments will be made as follows:

<u>Year Ending June 30,</u>	<u>PARS Payment</u>
2015	\$ 539,836
2016	366,833
2017	149,268
Total	<u>\$ 1,055,937</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 20,000	\$ -	\$ 1,207	\$ 21,207
Stores inventories	220,255	-	104,278	324,533
Total Nonspendable	<u>240,255</u>	<u>-</u>	<u>105,485</u>	<u>345,740</u>
<b>Restricted</b>				
Legally restricted programs	3,996,152	-	974,565	4,970,717
Capital projects	-	-	2,054,249	2,054,249
Debt service	-	8,599,546	-	8,599,546
Total Restricted	<u>3,996,152</u>	<u>8,599,546</u>	<u>3,028,814</u>	<u>15,624,512</u>
<b>Committed</b>				
Adult education programs	-	-	603,121	603,121
Deferred maintenance program	-	-	55,171	55,171
Capital projects	-	-	95,189	95,189
Total Committed	<u>-</u>	<u>-</u>	<u>753,481</u>	<u>753,481</u>
<b>Assigned</b>				
Computer refresh	199,780	-	-	199,780
Microsoft settlement	90,131	-	-	90,131
Self-pay retiree health coverage	180,846	-	-	180,846
Future retiree benefits	9,719,532	-	-	9,719,532
Prop 39 - PG&E repay	503,939	-	-	503,939
Special education food cart	1,182	-	-	1,182
Total Assigned	<u>10,695,410</u>	<u>-</u>	<u>-</u>	<u>10,695,410</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	10,721,704	-	-	10,721,704
Total Unassigned	<u>10,721,704</u>	<u>-</u>	<u>-</u>	<u>10,721,704</u>
Total	<u>\$ 25,653,521</u>	<u>\$ 8,599,546</u>	<u>\$ 3,887,780</u>	<u>\$ 38,140,847</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

At June 30, 2014, the following District major fund exceeded the budgeted amounts in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 42,127,709	\$ 43,279,855	\$ 1,152,146
Classified salaries	\$ 13,920,940	\$ 14,511,470	\$ 590,530
Employee benefits	\$ 16,452,214	\$ 17,029,692	\$ 577,478
Services and operating expenditures	\$ 10,679,250	\$ 11,609,432	\$ 930,182

**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 approximately 85 retirees and beneficiaries currently receiving benefits and 906 active plan members.

**Contribution Information**

For fiscal year 2013-2014, the District contributed \$1,201,998 to the plan, all of which was used for current premiums (approximately 82 percent of total premiums). Plan members receiving benefits contributed \$255,646, or approximately 18 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, 2014**

**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	\$ 1,687,105
Interest on net OPEB obligation	54,909
Adjustment to annual required contribution	<u>(65,457)</u>
Annual OPEB cost (expense)	1,676,557
Contributions made	<u>(1,201,998)</u>
Increase in net OPEB obligation	474,559
Net OPEB obligation, beginning of year	<u>1,155,976</u>
Net OPEB obligation, end of year	<u><u>\$ 1,630,535</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
2014	\$ 1,676,557	\$ 1,201,998	72%	\$ 1,630,535
2013	1,569,167	1,344,019	86%	1,155,976
2012	1,569,629	1,477,926	94%	930,828

**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, 2014	\$ -	\$ 15,999,046	\$ 15,999,046	0%	\$ 40,198,897	39.80%

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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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, 2014, 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, 2014, was 25 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, 2014, 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, 2014

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### **Workers' Compensation**

For fiscal year 2014, 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, California 95605.



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$3,614,023, \$3,356,004, and \$3,316,409, 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 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, 2014, 2013, and 2012, were \$1,622,915, \$1,545,470, and \$1,474,305, 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, 2014

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### 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 \$2,177,620 (5.541 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, 2014.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

#### 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, 2014

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### Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Atwater High School Gym	\$ 6,647,564	June 2015
Atwater High School Concession Sewer	4,617	July 2014
Atwater High School Remove/Replace Quad Pavement	240,967	August 2014
Buhach Colony High School Marquee	18,735	September 2014
El Capitan High School	210,361	August 2014
Golden Valley High School Stadium	33,760	August 2014
Golden Valley High Marquee	18,735	September 2014
Livingston High School Cameras	15,404	August 2014
Livingston High School Tennis Courts	71,769	August 2014
Livingston High School Cafeteria Building Re-roof	39,420	August 2014
Livingston High School Scoreboard	13,935	August 2014
Merced High School Gym	5,765,028	June 2015
Tyler and Gerard Road School Site	131,856,335	June 2017
Voice Over IP Project	354,342	September 2014
Warehouse Walk-in Freezer	161,641	August 2014
Total	<u>\$ 145,452,613</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, 2014, the District made payment of \$8,429,869 to SISC III for medical, dental and vision insurance.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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

During the year ended June 30, 2014, the District made payment of \$399,825 to SISC II for property and liability insurance.

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

During the year ended June 30, 2014, the District made payment of \$528,377 to MCSIG for workers' compensation insurance.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**MERCED UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 61,522,051	\$ 71,279,479	\$ 72,566,896	\$ 1,287,417
Federal sources	6,664,666	7,105,751	7,392,315	286,564
Other state sources	11,922,075	7,550,097	8,029,814	479,717
Other local sources	1,487,387	2,036,618	2,202,413	165,795
<b>Total Revenues <sup>1</sup></b>	<b>81,596,179</b>	<b>87,971,945</b>	<b>90,191,438</b>	<b>2,219,493</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	40,394,844	42,127,709	43,279,855	(1,152,146)
Classified salaries	13,474,850	13,920,940	14,511,470	(590,530)
Employee benefits	16,051,719	16,452,214	17,029,692	(577,478)
Books and supplies	5,948,425	5,528,163	5,339,241	188,922
Services and operating expenditures	9,411,808	10,679,250	11,609,432	(930,182)
Other outgo	(306,851)	1,205,141	945,935	259,206
Capital outlay	168,599	1,472,625	1,005,589	467,036
<b>Total Expenditures <sup>1</sup></b>	<b>85,143,394</b>	<b>91,386,042</b>	<b>93,721,214</b>	<b>(2,335,172)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,547,215)</b>	<b>(3,414,097)</b>	<b>(3,529,776)</b>	<b>(115,679)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,388,000	1,286,526	1,109,871	(176,655)
Transfers out	(2,210,344)	(1,460,519)	(2,175,863)	(715,344)
<b>Net Financing Sources (Uses)</b>	<b>177,656</b>	<b>(173,993)</b>	<b>(1,065,992)</b>	<b>(891,999)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,369,559)</b>	<b>(3,588,090)</b>	<b>(4,595,768)</b>	<b>(1,007,678)</b>
<b>Fund Balance - Beginning</b>	<b>30,249,289</b>	<b>30,249,289</b>	<b>30,249,289</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 26,879,730</b>	<b>\$ 26,661,199</b>	<b>\$ 25,653,521</b>	<b>\$ (1,007,678)</b>

<sup>1</sup> 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, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
March 1, 2014	\$ -	\$ 15,999,046	\$ 15,999,046	0%	\$ 40,198,897	39.80%
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%

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*SUPPLEMENTARY INFORMATION*

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**MERCED UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
FIE Earmark Grant Awards	84.215K	[1]	\$ 56,161
Readiness and Emergency Management for Schools	84.184E	[1]	2,985
Passed Through California Department of Education (CDE):			
Adult Education - Basic	84.002A	14508	179,451
Adult Education - Secondary Education	84.002	13978	71,999
Adult Education - English Literacy	84.002A	14109	55,513
No Child Left Behind			
Title I - Part A, Basic	84.010	14981	3,462,265
Title I - Part G, Advanced Placement Fee Assistance	84.330	14831	63,360
Title II - Part A, Improving Teacher Quality	84.367	14341	502,028
Title II - Part A, Administrator Training	84.367	14344	2,711
Title III - Immigrant Education	84.365	15146	11,542
Title III - LEP	84.365	14346	101,811
Title IV - Part B, 21st Century Community Learning Centers	84.287	14349	1,161,584
Title X - McKinney-Vento Homeless	84.196	14332	66,877
Special Education: IDEA Basic Local Assistance	84.027	13379	1,524,159
Career and Technical Education, Section 112	84.048	14894	374,526
Total U.S. Department of Education			<u>7,636,972</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster:			
Child Nutrition School Programs-Lunch	10.555	13391	2,428,764
Child Nutrition School Programs-Basic Breakfast	10.553	13526	58,364
Child Nutrition School Programs-Needy Breakfast	10.553	13526	712,127
Child Nutrition School Programs-Meal Supplements	10.559	13004	45,837
Child Nutrition School Programs-Summer Program	10.559	13004	112,705
Food Distribution - Commodities	10.555	13991	278,230
Subtotal, Child Nutrition Cluster			<u>3,636,027</u>
Child Nutrition School Programs-Family Day Care	10.558	13665	13,519
Total U.S. Department of Agriculture			<u>3,649,546</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option (Medicaid)	93.778	10013	60,535
Total U.S. Department of Health and Human Services			<u>60,535</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, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Natural Resource Stewardship	15.944	[1]	\$ 1,771
Total U.S. Department of the Interior			<u>1,771</u>
Total Federal Financial Assistance			<u>\$ 11,348,824</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, 2014

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### ORGANIZATION

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

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Sam Spangler	President	2016
Dave Honey	Vice President	2014
William G. Snyder III	Clerk	2014
Ida M. Johnson	Member	2014
Dora Crane	Member	2016

### 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, 2014**

	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	9,324.73	9,252.12
Total Regular ADA	<u>9,324.73</u>	<u>9,252.12</u>
Extended Year Special Education		
Ninth through twelfth	2.64	2.64
Total Extended Year Special Education	<u>2.64</u>	<u>2.64</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	3.07	2.97
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.07</u>	<u>2.97</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth		
Ninth through twelfth	0.17	0.17
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.17</u>	<u>0.17</u>
Community Day School		
Ninth through twelfth	113.63	115.16
Total Community Day School	<u>113.63</u>	<u>115.16</u>
Total ADA	<u><u>9,444.24</u></u>	<u><u>9,373.06</u></u>

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2014**

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<u>Grade Level</u>	1986-1987	Reduced 1986-1987	2013-2014	Number of Days		<u>Status</u>
	<u>Minutes Requirement</u>	<u>Minutes Requirement</u>	<u>Actual Minutes</u>	<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 9 - 12	64,800	63,000				
Grade 9			64,954	180	N/A	Complied
Grade 10			64,954	180	N/A	Complied
Grade 11			64,954	180	N/A	Complied
Grade 12			64,954	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, 2014

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General <sup>1</sup> Fund
FUND BALANCE	
Balance, June 30, 2014, Unaudited Actuals	\$ 10,128,497
Increase in:	
Accounts receivable	303,740
Balance, June 30, 2014, Audited Financial Statement	<u>\$ 10,432,237</u>

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<sup>1</sup> Balance does not include consolidation of the Special Reserve Capital Outlay Fund and Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

# MERCED UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 <sup>1,4</sup>	2014 <sup>4</sup>	2013 <sup>4</sup>	2012 <sup>4</sup>
<b>GENERAL FUND</b>				
Revenues	\$ 94,697,852	\$ 90,104,146	\$ 81,039,963	\$ 81,654,530
Other sources and transfers in	1,000,000	2,174,333	6,311,907	4,127,375
Total Revenues and Other Sources <sup>3</sup>	95,697,852	92,278,479	87,351,870	85,781,905
Expenditures	94,163,871	93,721,214	84,012,221	83,232,624
Other uses and transfers out	1,439,519	2,175,863	6,841,344	3,235,937
Total Expenditures and Other Uses <sup>3</sup>	95,603,390	95,897,077	90,853,565	86,468,561
INCREASE/(DECREASE) IN FUND BALANCE	\$ 94,462	\$ (3,618,598)	\$ (3,501,695)	\$ (686,656)
ENDING FUND BALANCE	\$ 10,526,699	\$ 10,432,237	\$ 14,050,835	\$ 17,552,530
AVAILABLE RESERVES <sup>2</sup>	\$ 4,049,418	\$ 10,721,704	\$ 7,325,580	\$ 2,594,057
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	4.24%	11.18%	8.06%	3.00%
LONG-TERM OBLIGATIONS	Not Available	\$ 116,171,033	\$ 113,831,195	\$ 105,187,237
AVERAGE DAILY ATTENDANCE AT P-2	9,444	9,444	9,490	9,737

The General Fund balance has decreased by \$7,424,033 over the past two years. The fiscal year 2014-2015 budget projects an increase of \$94,462 (0.91 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 deficits in each of the past three years but anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have increased by \$10,983,796 over the past two years, primarily due to the issuance of General Obligation Bonds.

Average daily attendance has decreased by 293 over the past two years. No change in ADA is anticipated during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments have been excluded from this schedule.

<sup>4</sup> 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, 2014

	<b>Adult Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 187,909	\$ 198,949	\$ 942,242
Receivables	307,131	1,616	503,118
Due from other funds	806,662	153	3,870
Stores inventories	-	-	104,278
<b>Total Assets</b>	<b>\$ 1,301,702</b>	<b>\$ 200,718</b>	<b>\$ 1,553,508</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 85,414	\$ 10,163	\$ 100,613
Due to other funds	613,167	153,760	409,640
<b>Total Liabilities</b>	<b>698,581</b>	<b>163,923</b>	<b>510,253</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	105,485
Restricted	-	36,795	937,770
Committed	603,121	-	-
<b>Total Fund Balances</b>	<b>603,121</b>	<b>36,795</b>	<b>1,043,255</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,301,702</b>	<b>\$ 200,718</b>	<b>\$ 1,553,508</b>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
\$ 186,918	\$ 179,562	\$ 502,490	\$ 1,091,228	\$ 587,870	\$ 95,275
-	-	3,304	3,741	-	-
754,378	30,000	-	-	-	-
-	-	-	-	-	-
<u>\$ 941,296</u>	<u>\$ 209,562</u>	<u>\$ 505,794</u>	<u>\$ 1,094,969</u>	<u>\$ 587,870</u>	<u>\$ 95,275</u>
\$ 634,774	\$ -	\$ 112,446	\$ 21,938	\$ -	\$ 86
251,351	209,562	-	-	-	-
<u>886,125</u>	<u>209,562</u>	<u>112,446</u>	<u>21,938</u>	<u>-</u>	<u>86</u>
-	-	-	-	-	-
-	-	393,348	1,073,031	587,870	-
55,171	-	-	-	-	95,189
<u>55,171</u>	<u>-</u>	<u>393,348</u>	<u>1,073,031</u>	<u>587,870</u>	<u>95,189</u>
<u>\$ 941,296</u>	<u>\$ 209,562</u>	<u>\$ 505,794</u>	<u>\$ 1,094,969</u>	<u>\$ 587,870</u>	<u>\$ 95,275</u>

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MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2014

	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>		
Deposits and investments	\$ -	\$ 3,972,443
Receivables	-	818,910
Due from other funds	-	1,595,063
Stores inventories	-	104,278
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 6,490,694</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 965,434
Due to other funds	-	1,637,480
<b>Total Liabilities</b>	<b>-</b>	<b>2,602,914</b>
<b>Fund Balances:</b>		
Nonspendable	-	105,485
Restricted	-	3,028,814
Committed	-	753,481
<b>Total Fund Balances</b>	<b>-</b>	<b>3,887,780</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 6,490,694</b>

See accompanying note to supplementary information.

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, 2014**

	Adult Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 1,011,446	\$ -	\$ -
Federal sources	306,963	13,519	3,357,797
Other state sources	65,473	-	277,733
Other local sources	498,263	838	1,450,703
<b>Total Revenues</b>	<u>1,882,145</u>	<u>14,357</u>	<u>5,086,233</u>
<b>EXPENDITURES</b>			
Current			
Instruction	1,392,969	335,391	-
Instruction-related activities:			
Supervision of instruction	42,917	-	-
School site administration	593,490	-	-
Pupil Services:			
Food services	-	18,396	4,774,039
All other pupil services	11,003	38,607	-
General administration:			
All other general administration	107,210	24,348	254,655
Plant services	123,292	693	22,526
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<u>2,270,881</u>	<u>417,435</u>	<u>5,051,220</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(388,736)</u>	<u>(403,078)</u>	<u>35,013</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	50,000	389,519	141,000
Transfers out	-	-	(142,784)
<b>Net Financing Sources (Uses)</b>	<u>50,000</u>	<u>389,519</u>	<u>(1,784)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(338,736)</u>	<u>(13,559)</u>	<u>33,229</u>
<b>Fund Balance - Beginning</b>	941,857	50,354	1,010,026
<b>Fund Balance - Ending</b>	<u>\$ 603,121</u>	<u>\$ 36,795</u>	<u>\$ 1,043,255</u>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
\$ 124,034	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
25,346	787	815,306	260,783	5,657
<u>149,380</u>	<u>787</u>	<u>815,306</u>	<u>260,783</u>	<u>5,657</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	12,140	-
107,650	-	-	658,649	-
1,307,277	-	2,438,187	51,163	488,399
<u>1,414,927</u>	<u>-</u>	<u>2,438,187</u>	<u>721,952</u>	<u>488,399</u>
<u>(1,265,547)</u>	<u>787</u>	<u>(1,622,881)</u>	<u>(461,169)</u>	<u>(482,742)</u>
880,344	30,000	685,000	-	-
-	(209,562)	(685,000)	-	-
<u>880,344</u>	<u>(179,562)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(385,203)	(178,775)	(1,622,881)	(461,169)	(482,742)
440,374	178,775	2,016,229	1,534,200	1,070,612
<u>\$ 55,171</u>	<u>\$ -</u>	<u>\$ 393,348</u>	<u>\$ 1,073,031</u>	<u>\$ 587,870</u>



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**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, 2014**

	Special Reserve Capital Outlay Fund	Tax Override Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Local Control Funding Formula	\$ -	\$ -	\$ 1,135,480
Federal sources	-	-	3,678,279
Other state sources	-	-	343,206
Other local sources	865	348	3,058,896
<b>Total Revenues</b>	<b>865</b>	<b>348</b>	<b>8,215,861</b>
<b>EXPENDITURES</b>			
Current			
Instruction	-	-	1,728,360
Instruction-related activities:			
Supervision of instruction	-	-	42,917
School site administration	-	-	593,490
Pupil Services:			
Food services	-	-	4,792,435
All other pupil services	-	-	49,610
General administration:			
All other general administration	-	-	398,353
Plant services	22,117	-	934,927
Facility acquisition and construction	45,290	-	4,330,316
<b>Total Expenditures</b>	<b>67,407</b>	<b>-</b>	<b>12,870,408</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(66,542)</b>	<b>348</b>	<b>(4,654,547)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	2,175,863
Transfers out	-	(72,525)	(1,109,871)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>(72,525)</b>	<b>1,065,992</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(66,542)</b>	<b>(72,177)</b>	<b>(3,588,555)</b>
<b>Fund Balance - Beginning</b>	<b>161,731</b>	<b>72,177</b>	<b>7,476,335</b>
<b>Fund Balance - Ending</b>	<b>\$ 95,189</b>	<b>\$ -</b>	<b>\$ 3,887,780</b>

See accompanying note to supplementary information.

# MERCED UNION HIGH SCHOOL DISTRICT

## PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS COMBINING STATEMENT OF NET POSITION JUNE 30, 2014

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ASSETS	Scholarships
Deposits and investments	\$ 1,490,889
Total Cash and Assets	<u>\$ 1,490,889</u>
<b>LIABILITIES</b>	
<b>NET POSITION</b>	
<b>Reserved for scholarships</b>	
Non-Expendable:	
Acker Scholarship	\$ 30,040
Alvernaz Scholarship	20,151
Beal Scholarship	11,161
Callister Scholarship	3,039
Cavaiani Scholarship	10,219
Chamberlain Scholarship	20,710
Cruikshank Scholarship	14,379
Landram Scholarship	26,114
Montano Scholarship	6,070
Mudd Scholarship	21,370
Okuda Scholarship	10,230
Roberts Scholarship	9,261
Roveto Scholarship	184,008
Weimer Scholarship	13,498
Expendable:	
AARP Scholarship	2,499
Barnes Scholarship	17,534
Bloss Scholarship	729,793
Brewer, James Scholarship	17,848
Brewer, Pamela Scholarship	17,096
Broussard Scholarship	2,284
Brown Scholarship	22,032
Church Scholarship	10,284
Crookham Scholarship	514
Dallas Scholarship	(2)
Dibblee, Al Scholarship	32,763
Fancher Scholarship	114,283
Fite Scholarship	385
Gear Up Scholarship	6
Granado Scholarship	1,668
Jackson Scholarship	2,541
Joyner Scholarship	109
Kiwanis Scholarship	281

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION, Continued  
JUNE 30, 2014**

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**NET POSITION, Continued**

**Reserved for scholarships**

	<u>Scholarships</u>
Lau Scholarship	\$ 3,205
Lockwood Scholarship	9,787
Martinelli Scholarship	251
McCollum Scholarship	3,152
McPherson-Hanson Scholarship	132
Mitchell Scholarship	146
Moberly Scholarship	5,161
Newhall Scholarship	23,787
Prince Scholarship	72,606
Rohm Scholarship	56
Sodexo Scholarship	140
Souza Scholarship	11,056
Thompson Scholarship	260
Yagi Scholarship	8,982
Total Net Position Reserved for Scholarships	<u>\$ 1,490,889</u>

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Acker Scholarship</u>	<u>Alvermaz Scholarship</u>	<u>Beal Scholarship</u>	<u>Callister Scholarship</u>	<u>Cavaiani Scholarship</u>
<b>ADDITIONS</b>					
Trust income	\$ -	\$ -	\$ 750	\$ -	\$ -
Interest income	52	37	19	5	37
<b>Total Additions</b>	<u>52</u>	<u>37</u>	<u>769</u>	<u>5</u>	<u>37</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	<u>525</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>250</u>
<b>Total Deductions</b>	<u>525</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>250</u>
<b>Change in Net Position</b>	(473)	37	269	5	(213)
<b>Net Position - Beginning</b>	<u>30,513</u>	<u>20,114</u>	<u>10,892</u>	<u>3,034</u>	<u>10,432</u>
<b>Net Position - Ending</b>	<u><u>\$ 30,040</u></u>	<u><u>\$ 20,151</u></u>	<u><u>\$ 11,161</u></u>	<u><u>\$ 3,039</u></u>	<u><u>\$ 10,219</u></u>

See accompanying note to supplementary information.

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<u>Chamberlain Scholarship</u>	<u>Cruikshank Scholarship</u>	<u>Landram Scholarship</u>	<u>Montano Scholarship</u>	<u>Mudd Scholarship</u>	<u>Okuda Scholarship</u>	<u>Roberts Scholarship</u>
\$ -	\$ 14,368	\$ -	\$ -	\$ -	\$ -	\$ -
22	11	48	10	39	18	15
<u>22</u>	<u>14,379</u>	<u>48</u>	<u>10</u>	<u>39</u>	<u>18</u>	<u>15</u>
4,250	-	200	-	300	-	-
<u>4,250</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>
(4,228)	14,379	(152)	10	(261)	18	15
<u>24,938</u>	<u>-</u>	<u>26,266</u>	<u>6,060</u>	<u>21,631</u>	<u>10,212</u>	<u>9,246</u>
<u>\$ 20,710</u>	<u>\$ 14,379</u>	<u>\$ 26,114</u>	<u>\$ 6,070</u>	<u>\$ 21,370</u>	<u>\$ 10,230</u>	<u>\$ 9,261</u>

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**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued  
FOR THE YEAR ENDED JUNE 30, 2014**

	Roveto Scholarship	Weimer Scholarship	Total Non-Expendable Scholarships
<b>ADDITIONS</b>			
Trust income	\$ -	\$ 2,000	\$ 17,118
Interest income	616	23	952
<b>Total Additions</b>	<u>616</u>	<u>2,023</u>	<u>18,070</u>
<b>DEDUCTIONS</b>			
Scholarships awarded	35,000	1,000	42,025
<b>Total Deductions</b>	<u>35,000</u>	<u>1,000</u>	<u>42,025</u>
<b>Change in Net Position</b>	(34,384)	1,023	(23,955)
<b>Net Position - Beginning</b>	<u>218,392</u>	<u>12,475</u>	<u>404,205</u>
<b>Net Position - Ending</b>	<u>\$ 184,008</u>	<u>\$ 13,498</u>	<u>\$ 380,250</u>

See accompanying note to supplementary information.



**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

	AARP Scholarship	Barnes Scholarship	Bloss Scholarship	Brewer, James Scholarship	Brewer, Pamela Scholarship
<b>ADDITIONS</b>					
Trust income	\$ -	\$ 1,500	\$ 214,009	\$ 1,000	\$ 1,000
Interest income	4	26	2,034	34	34
<b>Total Additions</b>	<u>4</u>	<u>1,526</u>	<u>216,043</u>	<u>1,034</u>	<u>1,034</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	<u>800</u>	<u>1,000</u>	<u>472,090</u>	<u>500</u>	<u>500</u>
<b>Total Deductions</b>	<u>800</u>	<u>1,000</u>	<u>472,090</u>	<u>500</u>	<u>500</u>
<b>Change in Net Position</b>	(796)	526	(256,047)	534	534
<b>Net Position - Beginning</b>	<u>3,295</u>	<u>17,008</u>	<u>985,840</u>	<u>17,314</u>	<u>16,562</u>
<b>Net Position - Ending</b>	<u>\$ 2,499</u>	<u>\$ 17,534</u>	<u>\$ 729,793</u>	<u>\$ 17,848</u>	<u>\$ 17,096</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 &amp; IIABMMC Scholarship</u>	<u>Fancher Scholarship</u>
\$ 242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,700
3	24	18	1	(4)	34	90
<u>245</u>	<u>24</u>	<u>18</u>	<u>1</u>	<u>(4)</u>	<u>34</u>	<u>73,790</u>
1,000	4,000	500	500	-	750	54,330
<u>1,000</u>	<u>4,000</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>750</u>	<u>54,330</u>
(755)	(3,976)	(482)	(499)	(4)	(716)	19,460
<u>3,039</u>	<u>26,008</u>	<u>10,766</u>	<u>1,013</u>	<u>2</u>	<u>33,479</u>	<u>94,823</u>
<u>\$ 2,284</u>	<u>\$ 22,032</u>	<u>\$ 10,284</u>	<u>\$ 514</u>	<u>\$ (2)</u>	<u>\$ 32,763</u>	<u>\$ 114,283</u>

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
 COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued  
 FOR THE YEAR ENDED JUNE 30, 2014

	Fite Scholarship	Gear Up Scholarship	Granado Scholarship	Jackson Scholarship	Joyner Scholarship
<b>ADDITIONS</b>					
Trust income	\$ -	\$ 1	\$ 1,354	\$ -	\$ -
Interest income	-	-	1	-	-
<b>Total Additions</b>	<u>-</u>	<u>1</u>	<u>1,355</u>	<u>-</u>	<u>-</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	-	-	750	-	-
<b>Total Deductions</b>	<u>-</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	-	1	605	-	-
<b>Net Position - Beginning</b>	<u>385</u>	<u>5</u>	<u>1,063</u>	<u>2,541</u>	<u>109</u>
<b>Net Position - Ending</b>	<u>\$ 385</u>	<u>\$ 6</u>	<u>\$ 1,668</u>	<u>\$ 2,541</u>	<u>\$ 109</u>

See accompanying note to supplementary information.

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<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3	17	1	4	-	-
-	3	17	1	4	-	-
-	-	-	1,140	250	-	-
-	-	-	1,140	250	-	-
-	3	17	(1,139)	(246)	-	-
281	3,202	9,770	1,390	3,398	132	146
<u>\$ 281</u>	<u>\$ 3,205</u>	<u>\$ 9,787</u>	<u>\$ 251</u>	<u>\$ 3,152</u>	<u>\$ 132</u>	<u>\$ 146</u>

MERCED UNION HIGH SCHOOL DISTRICT

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Moberly Scholarship	Newhall Scholarship	Prince Scholarship	Rohm Scholarship	Sodexho Scholarship
<b>ADDITIONS</b>					
Trust income	\$ -	\$ -	\$ 1,255	\$ -	\$ -
Interest income	9	42	214	-	-
<b>Total Additions</b>	<u>9</u>	<u>42</u>	<u>1,469</u>	<u>-</u>	<u>-</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	200	1,500	10,000	-	-
<b>Total Deductions</b>	<u>200</u>	<u>1,500</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(191)	(1,458)	(8,531)	-	-
<b>Net Position - Beginning</b>	<u>5,352</u>	<u>25,245</u>	<u>81,137</u>	<u>56</u>	<u>140</u>
<b>Net Position - Ending</b>	<u>\$ 5,161</u>	<u>\$ 23,787</u>	<u>\$ 72,606</u>	<u>\$ 56</u>	<u>\$ 140</u>

See accompanying note to supplementary information.

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<u>Souza Scholarship</u>	<u>Thompson Scholarship</u>	<u>Yagi Scholarship</u>	<u>Total Expendable Scholarships</u>	<u>Total (Memorandum Only)</u>
\$ 100	\$ 252	\$ -	\$ 294,413	\$ 311,531
20	-	13	2,622	3,574
<u>120</u>	<u>252</u>	<u>13</u>	<u>297,035</u>	<u>315,105</u>
500	250	1,000	551,560	593,585
<u>500</u>	<u>250</u>	<u>1,000</u>	<u>551,560</u>	<u>593,585</u>
(380)	2	(987)	(254,525)	(278,480)
<u>11,436</u>	<u>258</u>	<u>9,969</u>	<u>1,365,164</u>	<u>1,769,369</u>
<u>\$ 11,056</u>	<u>\$ 260</u>	<u>\$ 8,982</u>	<u>\$ 1,110,639</u>	<u>\$ 1,490,889</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund 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.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 11,070,594
Reconciling item:		
Food Distribution	10.555	278,230
Total Schedule of Expenditures of Federal Awards		<u>\$ 11,348,824</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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

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

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

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

### **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 Position and Combining Statement of Changes in Net Position**

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, 2014

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### **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.

### **Herbert H. Cruikshank Scholarship**

This scholarship was established in honor of Herbert H. Cruikshank. The amount of the scholarship awarded annually will be the amount generated by interest only. No amount of principal shall be part of the scholarship. If no student is awarded the scholarship in a given year, the amount will carry over to the following year, thus making the scholarship amount equivalent to two years. Guidelines for the recipient are as follows:

- Student must attend an accredited community college or a four year college.
- Student must have a record of participating in an extracurricular school activity, club or community service project.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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- Student must have graduated from Golden Valley High School and have a 3.0 + 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.

### **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.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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### **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).

### **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.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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### **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.

### **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.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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### **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.

### **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.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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### **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.

### **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 five 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.

## MERCED UNION HIGH SCHOOL DISTRICT

### NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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#### **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.

#### **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.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

### **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.

### **Anastacia Purganan Memorial Scholarship**

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

### **Ryan M. Rohm Memorial Scholarship**

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

### **Sodexo Scholarship**

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



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Merced Union High School District  
Merced, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Merced Union High School District's basic financial statements, and have issued our report thereon dated December 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Merced Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merced Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Merced Union High School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Merced Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 11, 2014.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Varined, Trine, Day + Co. LLP*

Fresno, California  
December 11, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Merced Union High School District  
Merced, California

**Report on Compliance for Each Major Federal Program**

We have audited Merced Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Merced Union High School District's (the District) major Federal programs for the year ended June 30, 2014. Merced Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

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

## Opinion on Each Major Federal Program

In our opinion, Merced Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Merced Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Merced Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Varinck, Trine, Day + Co. LLP*

Fresno, California  
December 11, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Merced Union High School District  
Merced, California

### Report on State Compliance

We have audited Merced Union High School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Merced Union High School District's State government programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Merced Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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.

### Unmodified Opinion

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, 2014.



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
Instructional Time:		
School Districts	10	Yes
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
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	Not Applicable

We did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any of the California Clean Energy Jobs Act funding received.

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 11, 2014

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

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**MERCED UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Part A, Basic
84.287	Title IV - Part B, 21st Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 340,465</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**MERCED UNION HIGH SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**MERCED UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**MERCED UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**MERCED UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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



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Governing Board  
Merced Union High School District  
Merced, California

In planning and performing our audit of the financial statements of Merced Union High School District, for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2014, on the government-wide financial statements of the District.

**ADULT EDUCATION**

***Cash Receipts - Student Tuition and Materials Fees***

**Observation**

During our audit, we found deposits for student tuition and materials fees are not always supported by receipts. We also noted that the deposits are not always timely. Without the proper documentation in the form of prenumbered receipts, it is unclear if all the revenue due the program actually was received and deposited by the program. Also, when deposits are not timely, the cash asset is at greater risk of loss or theft. Further, the receipting mechanism was a box called a "Wiz Box" which disbursed three copies of a receipt; white (to student), yellow (to D.O. for support for coding), and pink (for file). This system made tracking the actual receipt copies in numerical sequence (to look for intactness of deposits) difficult to accomplish.

**Recommendation**

The Adult Education program should always use prenumbered receipts when receiving money for tuition or materials fees. Also, deposits should be taken to the bank, at a minimum, on a weekly basis and more often if the amount of cash on hand warrants. Further, a system for maintaining the permanent copies of receipts should be implemented.

*Associated Student Body – Adult Education*

**Observations**

During our audit we found several internal controls were not implemented over ASB funds; such as the following:

- Checks received by the site were not logged and did not have a "received" date stamped on them.
- No sub-receipts or primary receipts were present with deposit backup.
- Many deposits had no cash count verification sheet attached.
- Cash count verification sheets that were attached often indicated the deposit was not made timely.
- Receipt books for deposits tested could not be found.
- Receipt books that were located were from prior periods and for a single type of activity – there was no master receipt book system in place.
- Disbursement authorization forms were often only signed by one person; in some cases not signed at all.
- Disbursement supporting documentation was sometimes incomplete; no invoice or receipt attached.
- ACH charges for AT&T product or services were on bank statements for the current and prior periods without site management's knowledge.
- Documentation for the ACH charges was created by a member of site office staff in preparation for the audit by means of forging a teacher's signature on the disbursement authorization form.
- Treasurer's Reports, issued by site office staff to teachers, were not complete as it did not provide teachers with all revenues, expenses, and current balance.

**Recommendations**

- Site should create and consistently maintain a check log for checks received via the mail.
- Teachers and advisors, or anyone receiving money from a location other than the site office, should consistently use prenumbered sub-receipts and turn them in with deposits to the site office.
- Deposits to the office need to have a cash count reconciliation sheet filled out, signed, and verified by an independent third party.
- Deposits to the site office need to be made on a timely basis; at a minimum once a week unless the amount of cash on hand would be sufficient as to warrant more often than once a week.
- Storage of receipt books at the site office for current and expired books should be organized such that a person could easily find the permanent copy of any receipt.
- The site should implement a master receipt book system which would run all receipts through it until the book is finished and then start the next book.
- Disbursement authorization forms should be signed by all required personnel; requester and appropriate office staff.
- Disbursement backup should contain supporting documentation such as actual receipts or invoices for which a disbursement request is submitted.
- Review of bank statements and reconciliations should be extensive enough so as to notice significant new types of debits or credits to the account. These changes should be questioned and researched for accuracy, propriety, and proper authorization.
- Treasurer's Reports should completely reflect activity of each club, including the current balance for the club. These reports should be issued monthly; quarterly at a minimum.

***ATWATER HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Inventory***

**Observation**

During our audit in the prior year, we found there is no perpetual inventory maintained quarterly for the store. In addition, daily sales for the student store are not being reconciled to the ending inventory on a regular basis. Sales should be reconciled everyday to ensure that all items purchased for resale have been sold or are accounted for.

**Recommendation**

According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT), a physical inventory should be taken quarterly under supervision of the student store advisors. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the associated student body of the site.

***Cash Disbursements***

**Observation**

During our audit of the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. We noted that two out of the ten purchase approval forms were dated after the invoice date indicating that the item was not pre-approved. Without the control document of a purchase order form being completed before the item is purchased, club spending might deplete the groups' account causing deficit spending.

**Recommendation**

In order to improve the controls over cash disbursements, the site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT). All invoices should be accompanied by a purchase order form that is dated before the invoice date, indicating that the item has been approved before the purchase was made. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures. In addition, the number of reimbursements made out to the teachers/advisors should be limited and checks issued directly to vendors after receiving invoices.

***BUHACH COLONY HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Disbursements***

**Observation**

During our audit of the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. We noted that five out of the twelve expenditures we audited did not have purchase order forms filled out by the advisors to indicate that the expenditures were pre-approved by the proper individuals. In most cases, the advisors would purchase items and submit a check request for reimbursement indicating the purchase was not pre-approved. Additionally, some of the purchase approval forms were dated after the invoice date indicating that the item was not pre-approved. Without the control document of a purchase order form being completed before the item is purchased, club spending might deplete the groups' account causing deficit spending.

**Recommendation**

In order to improve the controls over cash disbursements, the site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT). All invoices should be accompanied by a purchase order form that is dated before the invoice date, indicating that the item has been approved before the purchase was made. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures. In addition, the number of reimbursements made out to the teachers/advisors should be limited and checks issued directly to vendors after receiving invoices.

***Revenue Potentials***

**Observation**

We noted that revenue potential forms are on file, but are often incomplete or lack detail. The estimated profit portion often did not include the quantity of items or the price it would have sold at. There were also instances of actual activity that did not state how many items they sold and at what price. The form only documented the total expected and received with no further detail.

**Recommendation**

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

### ***Cash Receipts***

#### **Observation**

While auditing the cash receipts system, we noted that teachers are not always issuing sub-receipts to document when money is collected from students. Without this supporting documentation it cannot always be determined if collections are intact or if the teachers are forwarding money to the ASB bookkeeper in a timely manner.

#### **Recommendation**

Prenumbered sub-receipts should be turned in along with the cash collected by teachers for all money received, including fundraisers and other similar activities. Having a carbon copy of these receipts issued forwarded to the ASB bookkeeper along with the cash collected will serve as documentation that all monies collected have been turned in. The ASB bookkeeper should account for the receipt number sequences on all sub-receipt books to ensure that all collections are intact. In respect to timeliness of submitting sub-receipts, cash allowed to accumulate over an extended period of time is at greater risk of theft or loss. To better safeguard the ASB, all monies collected by teachers should be turned into the ASB bookkeeper daily. The funds should be accompanied by the corresponding sub-receipts or tally sheet and a cash count sheet.

### ***EL CAPITAN HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

#### ***Revenue Potentials***

#### **Observation**

The revenue potential form is a vital internal control tool that is used to document revenues, expenditures, potential revenue and actual revenue from fundraisers. We noted that revenue potential forms are on file to document the approval of fundraising activities and preliminary estimates for profit. However, they do not contain actual deposit and disbursement information which allows the club to calculate the net profit or loss and determine the success or failure of the completed fundraiser.

#### **Recommendation**

The site should complete a revenue potential form which includes receipts, deposits, and disbursement information for every club fundraiser. Using this information to calculate the net profit or loss will allow advisors and club members to determine if the financial outcome justifies repeating the fundraiser.

### ***GOLDEN VALLEY HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

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

#### **Observation**

While auditing the cash receipts system, we noted that teachers are not always issuing sub-receipts to document when money is collected from students. Without this supporting documentation it cannot always be determined if collections are intact or if the teachers are forwarding money to the ASB bookkeeper in a timely manner.

### **Recommendation**

Prenumbered sub-receipts should be turned in along with the cash collected by teachers for all money received, including fundraisers and other similar activities. Having a carbon copy of these receipts issued forwarded to the ASB bookkeeper along with the cash collected will serve as documentation that all monies collected have been turned in. The ASB bookkeeper should account for the receipt number sequences on all sub-receipt books to ensure that all collections are intact. In respect to timeliness of submitting sub-receipts, cash allowed to accumulate over an extended period of time is at greater risk of theft or loss. To better safeguard the ASB, all monies collected by teachers should be turned into the ASB bookkeeper daily. The funds should be accompanied by the corresponding sub-receipts or tally sheet and a cash count sheet.

### ***Student Store***

#### **Observation**

During our audit of the student store, we discovered sales are not being reconciled to the ending inventory on a regular basis. Student store sales should be reconciled to ensure that all items purchased for resale have been sold or accounted for.

#### **Recommendation**

According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT), a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

### ***Revenue Potentials***

#### **Observation**

We discovered revenue potential forms are on file, but with only preliminary "potential" income reported. The "recap" portion of the form that lists actual collections, compares actual income to the potential, and provides for discrepancies, is not being completed on a consistent basis.

#### **Recommendation**

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

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

***LIVINGSTON HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Revenue Potentials***

**Observation**

The revenue potential form is a vital internal control tool that is used to document revenues, expenditures, potential revenue and actual revenue from fundraisers. We noted that revenue potential forms are on file to document the approval of fundraising activities and preliminary estimates for profit. However, they do not contain actual deposit and disbursement information which allows the club to calculate the net profit or loss and determine the success or failure of the completed fundraiser.

**Recommendation**

The site should complete a revenue potential form which includes receipts, deposits, and disbursement information for every club fundraiser. Using this information to calculate the net profit or loss will allow advisors and club members to determine if the financial outcome justifies repeating the fundraiser.

***Cash Receipts - Food and Drink Sales***

**Observation**

During the audit of cash deposits made to the bookkeeper, we noted no receipts or supporting documentation for the cash sales of morning coffee and breakfast items sold by the Pacific Club to the faculty. Without the supporting documentation we could not determine if the deposits were accurate or timely.

**Recommendation**

Prenumbered receipts or a cash log should be maintained for all cash collections by the clubs. Documented on the receipt/log should be a specific description of the source of the funds, the date the funds were received, the source (individual/group) of the funds, and the account that the funds should be deposited into. A copy of the receipts issued must accompany the cash deposit given to the bookkeeper.

***Cash Disbursements - Purchase Authorizations***

**Observation**

During the audit of cash disbursements, we noted five of eleven purchases sampled which did not receive club approval prior to the expenditure.

**Recommendation**

All invoices should be accompanied by a purchase authorization form that is signed and dated prior to the invoice date which indicates approval before the purchase. Prior approvals reduce the possibility of deficit spending and purchasing prohibited items.



### ***Credit Card - Log***

#### **Observation**

A credit card log to track a cards location has not been incorporated into the controls which accounts for those individuals who have been authorized and are using the cards.

#### **Recommendation**

A log to track the site's credit cards should be used as a source document to account for their location and usage. Anyone who wishes to obtain and use a card should be authorized and preapproved. The log should be signed and dated when they receive and return the card.

### ***Student Stores and Concession Stands***

#### **Observation**

During our audit of the store and concession sales, we noted that a reconciliation of inventory to sales being performed daily for food cart sales. This process is a vital control that allows for the tracking of inventory through sales. However, a review of the process unveiled a weakness in the segregation of duties. Those individuals in charge of the daily count of inventory are those same individuals who are receipting all funds from the sale of this inventory. These duties should be handled by different individuals and reconciled daily. Additionally, it was noted that a full inventory of all food and supplies was not completed on a quarterly basis which is also required for a complete accounting of all items. A review of concession stand sales unveiled the absence of an inventory to sales count also.

#### **Recommendation**

Without taking inventory the site is unable to determine if merchandise has been misplaced. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT), a physical inventory should be taken quarterly under the supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced. The June 30 inventory report would also be used in the preparation of the student bodies' financial statements.

### ***Prohibited Fees***

#### **Observation**

During our audit, we noted the collection of dry cleaning fees for band uniforms from students who were in the band club. A review of expenditures uncovered a payment for over a thousand dollars taken from the band club account to cover the cost of dry cleaning band uniforms. If it is the responsibility of the band club for the cleaning of the uniforms then a fee directed at some and not all club students appears discriminatory. Also, the fees appear inappropriate unless they were voluntary donations. A "Student Obligation" created on a system to track this type of fee appears involuntary.

**Recommendation**

Fees should be collected on a voluntary basis only. The charges to specific students knowing there was an invoice created for a group of students that did not encompass all members of a club and the payment of charges for the remaining club members using club account funds creates the appearance of an involuntary assessment. This should be avoided by making clear through documentation and policy that no student is subject to fees which are not voluntary.

*Cash Disbursements*

**Observation**

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

**Recommendation**

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

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

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 11, 2014