

**MISSION UNION SCHOOL DISTRICT
COUNTY OF MONTEREY
SOLEDAD, CALIFORNIA**

AUDIT REPORT
June 30, 2013

MISSION UNION SCHOOL DISTRICT
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JUNE 30, 2013

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mission Union School District
Soledad, 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 for the Mission Union School District (District) as of and for the fiscal year ended June 30, 2013, 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.

Auditors' 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 the *Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mission Union School District, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the basic financial statements effective July 1, 2012, the Mission Union School District adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 the budgetary information on page 29, and the schedule of funding progress for postemployment benefits other than pensions on page 30, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the Mission Union School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 16, 2013, on our consideration of the Mission Union 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 the District's internal control over financial reporting and compliance.

Moss, Reny & Haugheim LLP

Santa Maria, California
December 16, 2013

Mission Union School District
Management Discussion and Analysis
(GASB)

For the year ending June 30, 2013

FINANCIAL HIGHLIGHTS

- Expenditures in the General Fund were more than revenue by \$23,823 this past year as the District fell short on its ADA projection from 121 to 119.44, that deficit contributed to this shortfall. The ending balance of \$376,384 in the overall General Fund was the result.
- Enrollment dropped from the anticipated 124 to approximately 121. We have since grown to 130 so enrollment looks healthy moving forward.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The District continues to have monthly statements presented by the Superintendent that report the ongoing financial business of the District. The statements include all the revenues and expenditures, both budgeted and up-to-date, for all Funds in the District. Since this is a small District, the net position is included in the reserves for the District.
- The District's property tax base and the condition of the school have had no significant change over the past few years. We have updated the school with our Bond money. We have completed New Construction and Modernization projects through the use of State funding. We received approximately \$3.1 million in hardship for both New Construction and Modernization and finished both projects.

FUND FINANCIAL STATEMENTS

- The Fund statements provide a more detailed picture of the District. These Funds are specific sources of funding and spending in particular programs.
- The District has five (5) separate Funds.
 - General Fund – for the every day activities of the District with a reserve of \$189,946.

- Deferred Maintenance Fund – for special projects that are described in the 5 year plan and now has a Fund Balance of \$92,725.
- Special Reserve Fund – for special needs that come up in the District. The current Fund Balance is \$124,335.
- School Facilities Fund (Hardship) – New Construction and Modernization currently at \$439,502.
- Capital Facilities Fund- Used to account for developer fees levied as a condition of approving a development. The current balance is \$2,030.
- Bond Interest and Redemption Fund - Provides for repayment of general obligation bonds issued by the District. The current balance is \$30,134.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

- The District's net position has shown no significant changes in the past few years other than the Bond election money of \$315,000 which has been spent on updating the building.
- We received Hardship New Construction and Modernization money during the past years – A total of \$3,100,000.
- No significant changes in net position.
- Total revenues showed a very small decrease due to deferrals but have since been recouped with the state revenue payments received this fall.

GOVERNMENTAL ACTIVITIES

- There were no significant changes in the Governmental Activities of the District.
- Our Art and Music programs are still funded through the 2013-14 school year with current funding. No new contributions were made this year from our donors and with current funding the art program will be cut at the end of the 2013-2014 school year and music will end at the end of the following school year.

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

- The District was able to meet its needs through the income from the State, Property taxes and Categorical Programs for the year ending June 30, 2013. The General Fund, Deferred Maintenance Fund, Special Reserve Fund were solvent at year's end. The District was able to meet its commitments in all Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Budget revisions were ongoing during the year so that all Categoricals were utilized.
- Actual revenues were consistent with projections.
- Regular Deferred Maintenance was maintained during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

- None

LONG-TERM DEBT

- The Bond Measure passed in November, 2004 and the District benefited by \$315,000. All projects under the Bond are completed. Management of bond is through US Bank for \$700 annual maintenance fee.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The District successfully agreed upon new Salary Schedules for the entire staff. Staff continues to be very stable with all personnel returning in the 2012-2013 school year. This keeps the salary schedule and benefits at a level where future budget concerns can be projected for future years. Rising healthcare costs are the main concern moving forward as well as the scheduled PERS increases. These concerns will be a centerpiece to future negotiations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

- This financial report is designed to provide our citizens and taxpayers a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Office, Mission School District, 36825 Foothill Road, Soledad, California, 93960.

MISSION UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

Assets	<u>Governmental Activities</u>
Cash in county treasury	\$ 1,071,411
Revolving cash fund	500
Accounts receivable	167,884
Land	190,615
Buildings and improvements	4,773,081
Equipment	119,141
Less accumulated depreciation	<u>(1,591,899)</u>
 Total assets	 <u>4,730,733</u>
 Liabilities	
Accounts payable	81,796
Unearned revenue	217,224
Interest payable	6,107
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	<u>10,000</u>
 Total due within one year	 <u>315,127</u>
Due after one year:	
General obligation bonds payable	275,000
OPEB payable	<u>39,490</u>
 Total due after one year	 <u>314,490</u>
 Total liabilities	 <u>629,617</u>
 Net Position	
Net investment in capital assets	3,205,938
Restricted for:	
Educational programs	34,033
Capital projects	441,532
Debt service	24,027
Unrestricted	<u>395,586</u>
 Total net position	 <u>\$ 4,101,116</u>

The accompanying notes are an integral part of this statement.

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MISSION UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 847,813	\$ -	\$ 211,872	\$ 1,106
Instruction-related services:				
School site administration	220,482		6,746	
General administration:				
All other general administration	45,412		980	
Plant services	120,831			
Interest on long-term debt	15,416			
Total governmental activities	<u>\$ 1,249,954</u>	<u>\$ -</u>	<u>\$ 219,598</u>	<u>\$ 1,106</u>

General revenues:

 Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for debt service

 Federal and state aid not restricted to specific purposes

 Interest and investment earnings

 Miscellaneous

Total general revenues

Change in net position

Net position, beginning of fiscal year

Net position, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Position

\$ (634,835)

(213,736)

(44,432)

(120,831)

(15,416)

(1,029,250)

112,110

24,836

706,907

3,246

4,654

851,753

(177,497)

4,278,613

\$ 4,101,116

MISSION UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 518,971	\$ 439,502	\$ 112,938	\$ 1,071,411
Cash in Revolving Fund	500	-	-	500
Accounts Receivable	167,797	-	87	167,884
Due from Other Funds	-	-	11,864	11,864
Total Assets	<u>\$ 687,268</u>	<u>\$ 439,502</u>	<u>\$ 124,889</u>	<u>\$ 1,251,659</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 81,796	\$ -	\$ -	\$ 81,796
Due to Other Funds	11,864	-	-	11,864
Unearned Revenue	217,224	-	-	217,224
Total Liabilities	<u>310,884</u>	<u>-</u>	<u>-</u>	<u>310,884</u>
Fund Balances:				
Nonspendable	500	-	-	500
Restricted	34,033	439,502	32,164	505,699
Assigned	27,570	-	92,725	120,295
Unassigned	314,281	-	-	314,281
Total Fund Balances	<u>376,384</u>	<u>439,502</u>	<u>124,889</u>	<u>940,775</u>
Total Liabilities and Fund Balances	<u>\$ 687,268</u>	<u>\$ 439,502</u>	<u>\$ 124,889</u>	<u>\$ 1,251,659</u>

The accompanying notes are an integral part of this statement.

MISSION UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances - governmental funds \$ 940,775

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 5,082,837
Accumulated depreciation	<u>1,591,899</u>

Net 3,490,938

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net activities, it is recognized in the period it is incurred. (6,107)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$ 285,000	
OPEB payable	<u>39,490</u>	<u>(324,490)</u>

Total net position - governmental activities \$ 4,101,116

The accompanying notes are an integral part of this statement.

MISSION UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 601,832	\$ -	\$ -	\$ 601,832
Local Sources	113,805	-	-	113,805
Federal Revenue	16,903	-	-	16,903
Other State Revenue	110,165	-	5,962	116,127
Other Local Revenue	197,351	1,105	25,334	223,790
Total Revenues	<u>1,040,056</u>	<u>1,105</u>	<u>31,296</u>	<u>1,072,457</u>
Expenditures:				
Instruction	732,879	-	-	732,879
Instruction - Related Services	218,320	-	-	218,320
General Administration	44,667	-	-	44,667
Plant Services	67,463	7,333	8,136	82,932
Other Outgo	550	-	-	550
Debt Service:				
Principal	-	-	10,000	10,000
Interest	-	-	15,038	15,038
Total Expenditures	<u>1,063,879</u>	<u>7,333</u>	<u>33,174</u>	<u>1,104,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,823)</u>	<u>(6,228)</u>	<u>(1,878)</u>	<u>(31,929)</u>
Net Change in Fund Balances	(23,823)	(6,228)	(1,878)	(31,929)
Fund Balances, July 1	400,207	445,730	126,767	972,704
Fund Balances, June 30	<u>\$ 376,384</u>	<u>\$ 439,502</u>	<u>\$ 124,889</u>	<u>\$ 940,775</u>

The accompanying notes are an integral part of this statement.

MISSION UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total net change in fund balances - governmental funds	\$ (31,929)
Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$ - does not exceed depreciation expense \$(147,138) in the period.	(147,138)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	172
In government funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Payment of bond principal of \$10,000.	10,000
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employers contributions was:	<u>(8,602)</u>
Change in net position - governmental activities	<u>\$ (177,497)</u>

The accompanying notes are an integral part of this statement.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Mission Union School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 and GASB Statement No. 61.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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. For the District, "available" means collectible within the current period or within 60 days after fiscal year end.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) did not meet the GASB Statement No. 54 special revenue definition. The Special Reserve Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

The County School Facilities Fund is used to account for resources received from Proposition 1A, to be used for new construction, modernization, and class size reduction.

Nonmajor Governmental Funds:

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

The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The District maintains one nonmajor debt service fund.

The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental capital assets. The District maintains one nonmajor capital projects fund:

The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provisions of the California Environmental Quality Act (CEQA).

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

I. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 61 "The Financial Reporting Entity: Omnibus." This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989 FASB and AICPA Pronouncements*." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the District's financial statements are explained in Note 12 – Net Position.

J. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Monterey County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period purchased.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

4. Capital Assets

Capital assets are those purchased or acquired with an original costs of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of a capital asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

5. Unearned Revenue

Cash is received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

6. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the General Fund at fiscal year.

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

9. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to \$314,281.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

10. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2013, consisted of the following:

Cash in banks	\$ 500
Cash and investments with the County Treasurer	<u>1,071,411</u>
Total cash and investments	<u>\$ 1,071,911</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in county treasury, statement of net position	\$ 1,071,411
Cash in revolving fund, statement of net position	<u>500</u>
Total cash and investments	<u>\$ 1,071,911</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Monterey County Treasury as part of the common investment pool (\$1,071,411 as of June 30, 2013). The fair value of this pool as of that date, as provided by the plan sponsor, was \$1,071,411. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$0 as of June 30, 2013) and in the revolving fund (\$500 as of June 30, 2013) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

MISSION UNION SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Monterey. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Monterey County Investment Pool	\$ 1,071,411	\$ 1,071,411	\$ -	\$ -	\$ -
Total	\$ 1,071,411	\$ 1,071,411	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Monterey County Investment Pool	\$1,071,411	N/A	\$ -	\$ -	\$ -	\$1,071,411
Total	\$1,071,411		\$ -	\$ -	\$ -	\$1,071,411

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)Custodial Credit Risk (Continued)

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Monterey County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds is as follows:

<u>Nonmajor Fund</u>	<u>Excess Expenditures</u>
Bond Interest and Redemption Fund: Debt Service	\$ 25,038

NOTE 4 – RECEIVABLES

Receivables at June 30, 2013, consist of the following:

	<u>General Fund</u>	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>
Federal Government:			
Federal programs	\$ 2,052	\$ -	\$ -
State Government:			
Apportionment	121,664		
Lottery	8,743		
Categorical aid programs	35,066		
Local Sources:			
Interest	272		87
Totals	<u>\$ 167,797</u>	<u>\$ -</u>	<u>\$ 87</u>

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 190,615	\$ -	\$ -	\$ 190,615
Total capital assets, not being depreciated	<u>\$ 190,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,615</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,773,081	\$ -	\$ -	\$ 4,773,081
Equipment	119,141	-	-	119,141
Total capital assets, being depreciated	<u>4,892,222</u>	<u>-</u>	<u>-</u>	<u>4,892,222</u>
Less accumulated depreciation for:				
Buildings and improvements	1,336,099	144,965		1,481,064
Equipment	108,662	2,173		110,835
Total accumulated depreciation	<u>1,444,761</u>	<u>147,138</u>	<u>-</u>	<u>1,591,899</u>
Total capital assets, being depreciated, net	<u>\$ 3,447,461</u>	<u>\$ (147,138)</u>	<u>\$ -</u>	<u>\$ 3,300,323</u>
Governmental activities, capital assets, net	<u>\$ 3,638,076</u>	<u>\$ (147,318)</u>	<u>\$ -</u>	<u>\$ 3,490,938</u>

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities:

Instruction	\$ 106,332
School site administration	2,162
All other general administration	745
Plant services	<u>37,899</u>
Total depreciation expense	<u>\$ 147,138</u>

NOTE 6 – BONDED DEBT

The outstanding general obligation bonded debt of the Mission Union School District at June 30, 2013, is:

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
2005	4.0%-5.25%	2030	<u>\$ 315,000</u>	<u>\$ 295,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 285,000</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2013, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2014	\$ 10,000	\$ 14,638	\$ 24,638
2015	10,000	14,175	24,175
2016	10,000	13,650	23,650
2017	10,000	13,125	23,125
2018	10,000	12,600	22,600
2019-2023	75,000	51,844	126,844
2024-2028	90,000	30,975	120,975
2029-2031	<u>70,000</u>	<u>5,775</u>	<u>75,775</u>
Totals	<u>\$ 285,000</u>	<u>\$ 156,782</u>	<u>\$ 441,782</u>

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - LONG-TERM DEBT - SCHEDULE OF CHANGES

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within One Year
Bonds payable	\$ 295,000	\$ -	\$ 10,000	\$ 285,000	\$ 10,000
OPEB payable	30,888	9,690	1,088	39,490	
Totals	<u>\$ 325,888</u>	<u>\$ 9,690</u>	<u>\$ 11,088</u>	<u>\$ 324,490</u>	<u>\$ 10,000</u>

NOTE 8 - JOINT VENTURES (Joint Powers Agreements)

The Mission Union School District participates in three joint powers agreements (JPAs): the Monterey County Schools Workers' Compensation Group, the Monterey County Property/Liability and the Monterey County Schools Insurance Group. The relationship between Mission Union School District and each JPA is such that each JPA is not a component unit of the Mission Union School District for financial reporting purposes.

The Monterey County Schools Workers' Compensation Group arranges for and provides insurance coverage for workers' compensation claims. The Monterey County Property/Liability arranges for and provides property and liability insurance. The Monterey County Schools Insurance Group provides medical and health insurance coverage.

Each JPA is governed by a board consisting of a representative from each member district. The Boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received State and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 10 – EMPLOYEES' RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Mission Union School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Mission Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes. The Mission Union School District's contributions to STRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$43,478, \$44,513, and \$43,197, respectively, and equal 100% of the required contributions for each fiscal year.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 – EMPLOYEES' RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The Mission Union School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Mission Union School 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 the fiscal year 2012-2013, was 11.417% of annual payroll. The contribution requirements of the plan members are established by State statutes. The Mission Union School District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$12,324, \$10,804, and \$11,729, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 11 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District provides post-retirement medical benefits to all retirees with fifteen years of service who retire from the District and have reached the minimum age of 60. The duration of the benefits are not beyond age 65.

Funding Policy

The District pays 100% of the medical benefits retirees. During fiscal year 2012-2013, expenditures of \$1,088 were recognized for post-retirement health insurance contributions on a pay as you go basis.

The District is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the 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 liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	Fiscal Year	
	Ended June 30, 2013	
Annual Required Contributions	\$	8,223
Interest on Net OPEB Obligation/(Asset)		1,467
Annual OPEB costs (expense)		9,690
Contributions made		(1,088)
Increase in Net OPEB Obligation/(Asset)		8,602
Net OPEB Obligation/(Asset) - beginning of fiscal year		30,888
Net OPEB Obligation/(Asset) - end of fiscal year	\$	39,490

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The District's Annual OPEB Cost, the percentage of Annual OPEB cost contributed to the plan, and the Net OPEB Obligations/(Asset) are as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 9,690	\$ 1,088	11%	\$ 39,490
June 30, 2012	\$ 13,385	\$ 1,123	8%	\$ 30,888
June 30, 2011	\$ 12,908	\$ 3,368	26%	\$ 18,626

Funded Status and Funding Progress

The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 1, 2013	\$ -	\$ 120,950	\$ 120,950	0.00%	\$ 456,565	18%

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 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2013, actuarial valuation, the level percentage of payroll method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4 percent. The actuarial value of plan assets was not calculated in this, for the first actuarial valuation, as there are no assets to value. The Plan unfunded actuarial accrued liability is being amortized over a 30-year amortization period.

The District did not pre-fund retiree healthcare costs nor establish an irrevocable trust for retiree healthcare costs. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

NOTE 12 – NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

MISSION UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 13 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	\$ 500	\$ -	\$ -	\$ 500
Restricted				
Lottery: instructional materials	3,420			3,420
Special education	613			613
RMA	30,000			30,000
Capital projects		439,502	2,030	441,532
Debt service			30,134	30,134
Assigned				
Deferred maintenance projects			92,725	92,725
Lottery: instructional materials	27,570			27,570
Unassigned				
	314,281			314,281
Total	<u>\$ 376,384</u>	<u>\$ 439,502</u>	<u>\$ 124,889</u>	<u>\$ 940,775</u>

NOTE 14 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due to Other Funds

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General Fund	\$ -	\$ 11,864
Nonmajor Fund:		
Deferred Maintenance Fund	<u>11,864</u>	
Totals	<u>\$ 11,864</u>	<u>\$ 11,864</u>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is December 16, 2013.

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REQUIRED SUPPLEMENTARY INFORMATION

MISSION UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 603,560	\$ 603,560	\$ 601,832	\$ (1,728)
Local Sources	111,210	111,210	113,805	2,595
Federal Revenue	22,200	24,200	16,903	(7,297)
Other State Revenue	117,500	105,112	110,165	5,053
Other Local Revenue	362,550	194,185	197,351	3,166
Total Revenues	<u>1,217,020</u>	<u>1,038,267</u>	<u>1,040,056</u>	<u>1,789</u>
Expenditures:				
Certificated Salaries	579,850	570,450	564,510	5,940
Classified Salaries	101,770	123,770	118,525	5,245
Employee Benefits	195,579	209,464	206,739	2,725
Books And Supplies	66,655	49,755	43,403	6,352
Services And Other Operating Expenditures	129,991	130,856	130,702	154
Total Expenditures	<u>1,073,845</u>	<u>1,084,295</u>	<u>1,063,879</u>	<u>20,416</u>
Net Change in Fund Balance	143,175	(46,028)	(23,823)	22,205
Fund Balance, July 1	400,207	400,207	400,207	-
Fund Balance, June 30	<u>\$ 543,382</u>	<u>\$ 354,179</u>	<u>\$ 376,384</u>	<u>\$ 22,205</u>

MISSION UNION SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS

OTHER THAN PENSIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The following table provides required supplementary information regarding the District's post employment healthcare benefits.

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
April 1, 2010	\$ -	\$ 83,272	\$ 83,272	0.0%	\$ 456,565	18%
April 1, 2013	\$ -	\$ 120,950	\$ 120,950	0.0%	\$ 603,484	20%

SUPPLEMENTARY INFORMATION SECTION

MISSION UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Capital Facilities Fund	
ASSETS:				
Cash in County Treasury	\$ 80,774	\$ 30,134	\$ 2,030	\$ 112,938
Accounts Receivable	87	-	-	87
Due from Other Funds	11,864	-	-	11,864
Total Assets	<u>\$ 92,725</u>	<u>\$ 30,134</u>	<u>\$ 2,030</u>	<u>\$ 124,889</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:				
Restricted	-	30,134	2,030	32,164
Assigned	92,725	-	-	92,725
Total Fund Balances	<u>92,725</u>	<u>30,134</u>	<u>2,030</u>	<u>124,889</u>
Total Liabilities and Fund Balances	<u>\$ 92,725</u>	<u>\$ 30,134</u>	<u>\$ 2,030</u>	<u>\$ 124,889</u>

MISSION UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Capital Facilities Fund	
Revenues:				
Other State Revenue	\$ 5,925	\$ 37	\$ -	\$ 5,962
Other Local Revenue	436	24,891	7	25,334
Total Revenues	<u>6,361</u>	<u>24,928</u>	<u>7</u>	<u>31,296</u>
Expenditures:				
Plant Services	8,136	-	-	8,136
Debt Service:				
Principal	-	10,000	-	10,000
Interest	-	15,038	-	15,038
Total Expenditures	<u>8,136</u>	<u>25,038</u>	<u>-</u>	<u>33,174</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,775)</u>	<u>(110)</u>	<u>7</u>	<u>(1,878)</u>
Net Change in Fund Balances	(1,775)	(110)	7	(1,878)
Fund Balances, July 1	94,500	30,244	2,023	126,767
Fund Balances, June 30	<u>\$ 92,725</u>	<u>\$ 30,134</u>	<u>\$ 2,030</u>	<u>\$ 124,889</u>

MISSION UNION SCHOOL DISTRICT
 DEFERRED MAINTENANCE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 5,925	\$ 5,925	\$ -
Other Local Revenue	436	436	-
Total Revenues	<u>6,361</u>	<u>6,361</u>	<u>-</u>
Expenditures:			
Services And Other Operating Expenditures	8,136	8,136	-
Total Expenditures	<u>8,136</u>	<u>8,136</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,775)</u>	<u>(1,775)</u>	<u>-</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,775)	(1,775)	-
Fund Balance, July 1	94,500	94,500	-
Fund Balance, June 30	<u>\$ 92,725</u>	<u>\$ 92,725</u>	<u>\$ -</u>

MISSION UNION SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ -	\$ 37	\$ 37
Other Local Revenue	-	24,891	24,891
Total Revenues	<u>-</u>	<u>24,928</u>	<u>24,928</u>
Expenditures:			
Debt Service:			
Principal	-	10,000	(10,000)
Interest	-	15,038	(15,038)
Total Expenditures	<u>-</u>	<u>25,038</u>	<u>(25,038)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(110)</u>	<u>(110)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(110)	(110)
Fund Balance, July 1	30,244	30,244	-
Fund Balance, June 30	<u>\$ 30,244</u>	<u>\$ 30,134</u>	<u>\$ (110)</u>

MISSION UNION SCHOOL DISTRICT

CAPITAL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 7	\$ 7	\$ -
Total Revenues	<u>7</u>	<u>7</u>	<u>-</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7</u>	<u>7</u>	<u>-</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	7	7	-
Fund Balance, July 1	2,023	2,023	-
Fund Balance, June 30	<u>\$ 2,030</u>	<u>\$ 2,030</u>	<u>\$ -</u>

MISSION UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2013

During the fiscal year under review, the District operated one elementary school with grades kindergarten through eighth. There were no changes in the boundaries of the District during the current fiscal year.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kevin McClaskey	President	2013
Colby Periera	Vice President	2015
Kevin Sitko	Clerk	2013
Noël Vosti	Member	2013
David Fleming	Member	2013

ADMINISTRATION

Timothy E. Ryan
District Superintendent

Jerry Tollefson
Chief Business Officer

MISSION UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Second Period Report	Annual Report
<u>Elementary</u>	<u> </u>	<u> </u>
Kindergarten	13.26	13.52
First through third	49.08	49.31
Fourth through sixth	36.07	36.00
Seventh and eighth	<u>20.46</u>	<u>20.61</u>
	<u>118.87</u>	<u>119.44</u>

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

MISSION UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Revised 1982-83 Minutes Requirement	1986-87 Minutes Requirement	Revised 1986-87 Minutes Requirement	2012-13 Actual Minutes	Number of days Traditional Calendar	Status
Kindergarten	29,750	28,924	36,000	35,000	53,430	180	In compliance
Grade 1	49,435	48,062	50,400	49,000	58,240	180	In compliance
Grade 2	49,435	48,062	50,400	49,000	58,240	180	In compliance
Grade 3	49,435	48,062	50,400	49,000	58,240	180	In compliance
Grade 4	53,017	51,544	54,000	52,500	58,240	180	In compliance
Grade 5	53,017	51,544	54,000	52,500	58,240	180	In compliance
Grade 6	53,017	51,544	54,000	52,500	58,240	180	In compliance
Grade 7	53,017	51,544	54,000	52,500	58,240	180	In compliance
Grade 8	53,017	51,544	54,000	52,500	58,240	180	In compliance

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

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

MISSION UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>General Fund (1)</u>	(Budgeted) <u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues and other financial sources	\$ <u>1,184,388</u>	\$ <u>1,058,921</u>	\$ <u>1,051,541</u>	\$ <u>1,042,868</u>
Expenditures	1,160,172	1,063,879	1,046,176	1,067,682
Other uses and transfers out	_____	_____	_____	_____
Total outgo	<u>1,160,172</u>	<u>1,063,879</u>	<u>1,046,176</u>	<u>1,067,682</u>
Change in fund balance	<u>24,216</u>	<u>(4,958)</u>	<u>5,365</u>	<u>(24,814)</u>
Ending fund balance	\$ <u>276,275</u>	\$ <u>252,049</u>	\$ <u>257,007</u>	\$ <u>251,642</u>
Available reserves (2)	\$ <u>297,467</u>	\$ <u>341,851</u>	\$ <u>354,127</u>	\$ <u>381,573</u>
Designated for economic uncertainties	\$ <u>158,805</u>	\$ <u>189,946</u>	\$ <u>210,927</u>	\$ <u>232,142</u>
Undesignated/unassigned fund balance	\$ _____	\$ _____	\$ _____	\$ _____
Available reserves as a percentage of total outgo	25.64%	32.13%	33.85%	35.74%
Total long-term debt	\$ 314,490	\$ 324,490	\$ 325,888	\$ 323,626
Average daily attendance at P-2	121	119	121	116

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal 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.

The General Fund balance has increased by \$407 over the past two fiscal years. The fiscal year 2013-14 budget projects an increase of \$24,216. For a District this size, the State recommends available reserve of at least \$50,000.

The District has incurred an operating surplus in one of the past three fiscal years, and anticipates incurring an operating surplus in the 2013-14 fiscal year. Total long-term debt has increase by \$864 over the past two fiscal years.

Average daily attendance has increased by 3 over the past two fiscal years. An increase of 2 ADA is anticipated during the fiscal year 2013-14.

- (1) General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund and Cafeteria Fund as required by GASB Statement No. 54.
- 2) Available reserves consist of all undesignated/unassigned fund balances contained within the General Fund and the Special Reserve Fund.

MISSION UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal programs:			
U.S. Department of Education:			
Passed through California			
Department of Education (CDE):			
Special education	84.027	13379	\$ 3,532
Improving teacher quality	84.367	14341	3,639
Rural and low income school program	84.365	14356	<u>9,732</u>
Total expenditures of federal awards			<u>\$ 16,903</u>

The accompanying notes are an integral part of this schedule.

MISSION UNION SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mission Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with State requirements, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

MISSION UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
JUNE 30, 2013

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund</u>
June 30, 2013, annual financial and budget report fund balances	<u>\$ 252,049</u>	<u>\$ 92,725</u>	<u>\$ 124,335</u>
June 30, 2013, audited financial statements fund balances	<u>\$ 252,049</u>	<u>\$ 92,725</u>	<u>\$ 124,335</u>
			<u>Long-Term Debt</u>
June 30, 2013, annual financial and budget report total liabilities			\$ 328,150
Overstatement of OPEB payable			<u>(3,660)</u>
June 30, 2013, audited financial statements long-term debt total liabilities			<u>\$ 324,490</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities of the long-term debt as reported on the annual financial and budget report to the audited financial statements.

Capital Facilities Fund	Bond Interest and Redemption Fund	County School Facilities Fund
<u>\$ 2,030</u>	<u>\$ 30,134</u>	<u>\$ 439,502</u>
<u>\$ 2,030</u>	<u>\$ 30,134</u>	<u>\$ 439,502</u>



MOSS, LEVY & HARTZHEIM LLP

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

Board of Trustees
Mission Union School District
Soledad, 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 the Mission Union School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Leny & Hartzheim LLP

Santa Maria, California
December 16, 2013



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Mission Union School District
Soledad, California

Report on State Compliance

We have audited the Mission Union School District's compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2013.

Management's Responsibility for State Compliance

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mission Union School District's state 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 the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13, published by the California Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Table with 3 columns: Description, Procedures in Panel's Audit Guide, and Procedures Performed. Rows include Attendance accounting (Attendance reporting, Teacher certification and misassignments, Kindergarten continuance, Independent study, Continuation education) and Instructional time (School districts, County offices of education, Instructional materials general requirements, Ratios of administrative employees to teachers, Classroom teacher salaries, Early retirement incentive).

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
GANN Limit calculation	1	Yes
School accountability report card	3	Yes
Juvenile court schools	8	Not applicable
Class size reduction (including charter schools)		
General requirements	7	Yes
Option one	3	Yes
Option two	4	Not applicable
Only one school serving grades K-3	4	Yes
After school education and safety program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Charter schools		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Nonclassroom-based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based study	3	Not applicable
Annual instruction minutes – classroom based	4	Not applicable

Opinion on State Compliance

In our opinion, the Mission Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2013. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, published by the California Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1. We did not audit Mission Union School District's responses and accordingly, we express no opinion on them.

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

Moss, Keny & Haugheim LLP

Santa Maria, California
December 16, 2013

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FINDINGS AND RECOMMENDATIONS SECTION

MISSION UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

State Awards

Internal control over state programs:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported	
Type of auditors’ report issued on compliance for state programs:	<u>Qualified</u>		

MISSION UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section II – Financial Statement Findings

There were no financial statement findings and questioned costs.

MISSION UNION SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2013

Section III – State Award Findings and Questioned Costs

FINDING 2013-1
CLASS SIZE REDUCTION
40000

Criteria:

Per *Education Code* Section 52124.5, Districts should compute class size by averaging the daily enrollment in each class for each instructional day from the first day of instruction through April 15.

Condition:

The District used the attendance number rather than the enrollment number.

Effect:

The District underreported 1st Grade by 1.

Grade	<u>Originally Submitted</u>		<u>Per Corrected</u>	
	Number of classes of each size	Total pupils per class size	Number of classes of each size	Total pupils per class size
1	1	18	1	19
2	1	14	1	14
Total	2	32	4	33
Total Classes		2	2	
Total Eligible Pupils		32	33	
Avg. Pupils per Class		16	16.50	
Total Apportionment		\$34,272	\$35,343	

Cause:

District Oversight.

Questioned Costs:

1 Pupil at \$1,071 per pupil

Recommendation:

The District should ensure that the J-7 is properly reported.

District's Corrective Action Plan:

The District will employ a secondary check of the J-7 by the District's external accounting consultant to ensure accurate reporting.

MISSION UNION SCHOOL DISTRICT

SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section II – Financial Statements Findings

There were no financial statement findings and questioned costs.

MISSION UNION SCHOOL DISTRICT

SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section III – State Award Findings and Questioned Costs

FINDING 2012-1 EXCLUSION OF PUPILS – PERTUSSIS IMMUNIZATION 40000

Criteria:

Health and Safety Code Section 120335.1(a) requires verification that evidence was on file by the 30th calendar day after the pupil's first day of attendance in the school year 2011/12 of (1) a pertussis booster vaccine given on or after the pupil's 7th birthday, or (2) a pertussis booster immunization exemption statement.

Condition:

Evidence of pertussis immunization was found in each student's file, however, the sticker in each student's file was not recorded until October 24, 2011, which was 16 school days after the 30th calendar day following the beginning of the school year.

Effect:

There is no financial effect to the District. We were able to ascertain that each student was fully immunized before the 30th calendar day following the start of school by looking at documentation in the students' cumulative files.

Cause:

The District does not have a full time nurse on staff due to the size of the District. The District has a nurse from the county come out to fill out the stickers to provide evidence of immunization for all the students, but that nurse did not come to the District until October 24, 2011, which was 16 school days after the 30 day grace period.

Questioned Costs:

None

Recommendation:

The District should keep a list of all incoming seventh grade students and document the date in which they were fully immunized, and when the District received the documentation of immunization.

District's Corrective Action Plan:

The District will keep a list documenting when each student was fully immunized and when the District received documentation of the immunization.

Current Status:

Implemented.

