

**SAN MIGUEL JOINT UNION SCHOOL DISTRICT
COUNTY OF SAN LUIS OBISPO
SAN MIGUEL, CALIFORNIA**

AUDIT REPORT
June 30, 2011

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

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FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Miguel Joint Union School District
San Miguel, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the San Miguel Joint Union School District at June 30, 2011, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to basic financial statements effective July 1, 2010, San Miguel Joint Union School District adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Statements Omnibus*.

Accounting principles generally accepted in the United States of America require that the budgetary information on page 23, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2011, on our consideration of the San Miguel Joint Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the San Miguel Joint 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, which is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the San Miguel Joint Union School District. 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.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 15, 2011

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

| Assets | <u>Governmental Activities</u> |
|--|------------------------------------|
| Cash in County Treasury | \$ 1,076,032 |
| Revolving cash fund | 350 |
| Cash in bank and on hand | 250 |
| Accounts receivable | 704,441 |
| Inventory | 5,727 |
| Prepaid items | 6,964 |
| Land | 247,287 |
| Buildings and improvements | 16,489,973 |
| Equipment | 833,507 |
| Less accumulated depreciation | (3,499,255) |
| Bond issuance cost, net of accumulated amortization | <u>134,292</u> |
| Total assets | <u>15,999,568</u> |
| Liabilities | |
| Accounts payable | 474,945 |
| Deferred revenue | 13,545 |
| Interest payable | 7,266 |
| Long-term liabilities: | |
| Due within one year: | |
| General obligation bonds payable | <u>177,713</u> |
| Total due within one year | <u>673,469</u> |
| Due after one year: | |
| Interest payable | 1,773,958 |
| General obligation bonds payable | 1,829,651 |
| Compensated absences payable | <u>19,910</u> |
| Total due after one year | <u>3,623,519</u> |
| Total liabilities | <u>4,296,988</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 12,199,227 |
| Restricted for: | |
| Nutrition | 62,808 |
| Capital projects | 141,877 |
| Educational programs | 170,423 |
| Unrestricted | <u>(871,755)</u> |
| Total net assets | <u>\$ 11,702,580</u> |

The accompanying notes are an integral part of this statement.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Expenses | Program Revenues | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction | \$ 2,710,622 | \$ 225 | \$ 625,561 | \$ - |
| Instruction-related services: | | | | |
| Supervision of instruction | 164,315 | | 134,306 | |
| Instructional library, media, and technology | 19,349 | | 1,640 | |
| School site administration | 226,780 | 45 | 33,419 | |
| Pupil services: | | | | |
| Home to school transportation | 171,829 | | 75,884 | |
| Food services | 248,410 | 28,205 | 236,610 | |
| All other pupil services | 184,536 | | 116,507 | |
| General administration: | | | | |
| Data processing services | 55,878 | | 6,501 | |
| All other general administration | 292,798 | 1,436 | 31,759 | |
| Plant services | 476,531 | 1,357 | 16,341 | |
| Ancillary services | 12,357 | | 1,002 | |
| Interest on long-term debt | 699,538 | | | |
| Other outgo | 218,336 | 8,896 | 70,724 | |
| Depreciation (Unallocated) | 400,553 | | | |
| Total governmental activities | <u>\$ 5,881,832</u> | <u>\$ 40,164</u> | <u>\$ 1,350,254</u> | <u>\$ -</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

 Interagency revenues

 Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

\$ (2,084,836)

(30,009)

(17,709)

(193,316)

(95,945)

16,405

(68,029)

(49,377)

(259,603)

(458,833)

(11,355)

(699,538)

(138,716)

(400,553)

(4,491,414)

2,046,764

339,953

1,490,775

3,935

10,000

40,924

3,932,351

(559,063)

12,261,643

\$ 11,702,580

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| ASSETS: | | | |
| Cash in County Treasury | \$ 733,555 | \$ 342,477 | \$ 1,076,032 |
| Cash on Hand and in Banks | - | 250 | 250 |
| Cash in Revolving Fund | 350 | - | 350 |
| Accounts Receivable | 647,092 | 57,349 | 704,441 |
| Stores Inventories | - | 5,727 | 5,727 |
| Prepaid Expenditures | 6,964 | - | 6,964 |
| Total Assets | <u>\$ 1,387,961</u> | <u>\$ 405,803</u> | <u>\$ 1,793,764</u> |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 449,524 | \$ 25,421 | \$ 474,945 |
| Deferred Revenue | 13,545 | - | 13,545 |
| Total Liabilities | <u>463,069</u> | <u>25,421</u> | <u>488,490</u> |
| Fund Balances: | | | |
| Nonspendable Fund Balances: | | | |
| Revolving Cash | 350 | - | 350 |
| Stores Inventories | - | 5,727 | 5,727 |
| Prepaid Items | 6,964 | - | 6,964 |
| Restricted Fund Balances: | | | |
| Educational Programs | 161,161 | - | 161,161 |
| Local Donations | 9,262 | - | 9,262 |
| Child Nutrition | - | 62,808 | 62,808 |
| Capital Outlay Projects | - | 142,664 | 142,664 |
| Debt Service | - | 168,664 | 168,664 |
| Assigned Fund Balances: | | | |
| Deferred Maintenance Projects | 36,376 | - | 36,376 |
| Gifted and Talented | 5,235 | - | 5,235 |
| Instructional Materials | 20,775 | - | 20,775 |
| Mid-Year Cut 11/12 | 149,000 | - | 149,000 |
| Certificated Furlough | 49,009 | - | 49,009 |
| Classified Furlough | 12,096 | - | 12,096 |
| Management Furlough | 1,634 | - | 1,634 |
| Savings From Reduced Admin | 92,175 | - | 92,175 |
| Lottery | 44,251 | - | 44,251 |
| Capital Outlay Projects | - | 519 | 519 |
| Unassigned | 336,604 | - | 336,604 |
| Total Fund Balances | <u>924,892</u> | <u>380,382</u> | <u>1,305,274</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,387,961</u> | <u>\$ 405,803</u> | <u>\$ 1,793,764</u> |

The accompanying notes are an integral part of this statement.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances - governmental funds \$ 1,305,274

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

| | | |
|-----------------------------------|----|--------------------|
| Capital assets at historical cost | \$ | 17,570,767 |
| Accumulated depreciation | | <u>(3,499,255)</u> |

Net 14,071,512

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 activities, it is recognized in the period that it is incurred. (1,781,224)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. 134,292

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

| | | |
|----------------------------------|----|---------------|
| General obligation bonds payable | \$ | 2,007,364 |
| Compensated absences payable | | <u>19,910</u> |

Total (2,027,274)

Total net assets - governmental activities \$ 11,702,580

The accompanying notes are an integral part of this statement.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Revenue Limit Sources: | | | |
| State Apportionments | \$ 894,135 | \$ - | \$ 894,135 |
| Local Sources | 2,056,546 | - | 2,056,546 |
| Federal Revenue | 586,468 | 237,664 | 824,132 |
| Other State Revenue | 900,860 | 24,895 | 925,755 |
| Other Local Revenue | 215,279 | 406,922 | 622,201 |
| Total Revenues | <u>4,653,288</u> | <u>669,481</u> | <u>5,322,769</u> |
| Expenditures: | | | |
| Instruction | 2,710,620 | - | 2,710,620 |
| Instruction - Related Services | 410,444 | - | 410,444 |
| Pupil Services | 356,367 | 248,410 | 604,777 |
| Ancillary Services | 12,357 | - | 12,357 |
| General Administration | 331,245 | 12,992 | 344,237 |
| Plant Services | 340,867 | 135,665 | 476,532 |
| Other Outgo | 218,336 | - | 218,336 |
| Debt Service: | | | |
| Principal | - | 184,927 | 184,927 |
| Interest | - | 162,273 | 162,273 |
| Total Expenditures | <u>4,380,236</u> | <u>744,267</u> | <u>5,124,503</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>273,052</u> | <u>(74,786)</u> | <u>198,266</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 36,376 | 16,658 | 53,034 |
| Transfers Out | (16,658) | (36,376) | (53,034) |
| Total Other Financing Sources (Uses) | <u>19,718</u> | <u>(19,718)</u> | <u>-</u> |
| Net Change in Fund Balances | 292,770 | (94,504) | 198,266 |
| Fund Balances, July 1 | 632,122 | 474,886 | 1,107,008 |
| Fund Balances, June 30 | <u>\$ 924,892</u> | <u>\$ 380,382</u> | <u>\$ 1,305,274</u> |

The accompanying notes are an integral part of this statement.

SAN MIGUEL JOINT 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, 2011

| | |
|--|---------------------|
| Total net change in fund balances - governmental funds | \$ 198,266 |
| 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 \$- exceeds depreciation expense \$(400,553) in the period. | (400,553) |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. | 184,927 |
| 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: | (527,673) |
| In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned was more than the amounts used by \$4,438. | (4,438) |
| In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. | <u>(9,592)</u> |
| Changes in net assets - governmental activities | <u>\$ (559,063)</u> |

The accompanying notes are an integral part of this statement.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

| | Agency Fund |
|---------------------------|-------------------------|
| | Student Body Fund |
| ASSETS: | |
| Cash on Hand and in Banks | \$ 17,070 |
| Total Assets | <u>\$ 17,070</u> |
| LIABILITIES: | |
| Due to Student Groups | \$ 17,070 |
| Total Liabilities | <u>\$ 17,070</u> |

The accompanying notes are an integral part of this statement.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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 San Miguel Joint 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.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets 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 a 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 non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

Fiduciary funds are reported using the economic resources measurement focus.

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. Fiduciary funds also use the accrual basis of accounting.

Revenues -- exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded 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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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.

Deferred revenue:

Deferred 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 deferred 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 deferred 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 or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Fund:

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.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two nonmajor special revenue funds:

1. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria.
2. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

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

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of the District's bonds, interest, and related costs.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

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

1. The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
2. 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).
3. 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.
4. The Special Reserve Fund is used to account for various capital improvements of the District.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

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. 54

For the fiscal year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of the Statement and the impact on the District's financial statements are explained in Note 1 – J Fund Balances.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 59, "Financial Instruments Omnibus." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of the GASB Statement No. 59, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2011.

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 institution is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Luis Obispo 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 San Luis Obispo 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. Inventory and Prepaid Items

Inventory is recorded using the purchases method in that the cost is recorded as expenditure at the time individual inventory items are purchased. Inventory is valued at the lower 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 benefited.

4. Amortization of Bond Expense and Bond Discounts

The cost of issuance of bonds and bond discount are being amortized on the straight line method over the life of the bonds on the government-wide statements.

5. 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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

| 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 |

6. Deferred 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. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

8. 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 Assets.

9. 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.

10. 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 \$336,304.

11. 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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Liabilities, and Equity (Continued)

11. Revenue Limit/Property Tax (Continued)

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, 2011, consisted of the following:

| | |
|--|---------------------|
| Cash in banks | \$ 17,670 |
| Cash and investments with the County Treasurer | <u>1,076,032</u> |
| Total cash and investments | <u>\$ 1,093,702</u> |

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

| | |
|--|---------------------|
| Cash in County Treasury, statement of net assets | \$ 1,076,032 |
| Cash in revolving fund, statement of net assets | 350 |
| Cash on hand and in banks, statement net assets | 250 |
| Cash on hand and in banks, statement of fiduciary net assets | <u>17,070</u> |
| Total cash and investments | <u>\$ 1,093,702</u> |

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Luis Obispo County Treasury as part of the common investment pool (\$1,076,032 as of June 30, 2011). The fair value of this pool as of that date, as provided by the plan sponsor, was \$1,076,032. 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 (\$17,320 as of June 30, 2011) and in the revolving fund (\$350) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

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 San Luis Obispo. 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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

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> |
| San Luis Obispo County Investment Pool | \$ 1,076,032 | \$ 1,076,032 | \$ - | \$ - | \$ - |
| Total | \$ 1,076,032 | \$ 1,076,032 | \$ - | \$ - | \$ - |

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> |
| San Luis Obispo County Investment Pool | \$1,076,032 | N/A | \$ - | \$ - | \$ - | \$1,076,032 |
| Total | \$1,076,032 | | \$ - | \$ - | \$ - | \$1,076,032 |

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.

At June 30, 2011, 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 San Luis Obispo County Investment Pool).

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

| <u>Nonmajor Funds</u> | <u>Excess Expenditures</u> |
|---|----------------------------|
| Bond Interest and Redemption Fund | |
| Debt service | \$ 2,220 |
| Cafeteria Fund: | |
| Classified salaries | \$ 1 |
| Services and other operating expenditures | \$ 1 |

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, consist of the following:

| | <u>General Fund</u> | <u>Other Governmental Funds</u> |
|----------------------------|-------------------------|---|
| Federal Government: | | |
| Federal programs | \$ 117,434 | \$ 41,105 |
| State Government: | | |
| Apportionment | 229,708 | |
| Categorical aid programs | 180,035 | 3,667 |
| Lottery | 38,327 | |
| Local Sources: | | |
| County Office of Education | 44,766 | |
| Miscellaneous | <u>36,822</u> | <u>12,577</u> |
| Totals | <u>\$ 647,092</u> | <u>\$ 57,349</u> |

NOTE 5 - 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.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2010-2011 fiscal year, are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------|---------------------|----------------------|
| Major Fund: | | |
| General Fund | \$ 36,376 | \$ 16,658 |
| Nonmajor Fund: | | |
| Deferred Maintenance Fund | <u>16,658</u> | <u>36,376</u> |
| Totals | <u>\$ 53,034</u> | <u>\$ 53,034</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

| | <u>Balance July 1, 2010</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2011</u> |
|--|---------------------------------|---------------------|-------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 247,287 | \$ - | \$ - | \$ 247,287 |
| Total capital assets, not being depreciated | <u>\$ 247,287</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 247,287</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$16,489,973 | \$ | \$ | \$16,489,973 |
| Equipment | 833,507 | | | 833,507 |
| Total capital assets being depreciated | <u>17,323,480</u> | | | <u>17,323,480</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,511,117 | 349,324 | | 2,860,441 |
| Equipment | 587,585 | 51,229 | | 638,814 |
| Total accumulated depreciation | <u>3,098,702</u> | <u>400,553</u> | | <u>3,499,225</u> |
| Total capital assets, being depreciated, net | <u>\$14,224,778</u> | <u>\$ (400,553)</u> | <u>\$ -</u> | <u>\$13,824,255</u> |
| Governmental activities, capital assets, net | <u>\$14,472,065</u> | <u>\$ (400,553)</u> | <u>\$ -</u> | <u>\$14,071,512</u> |

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities:

| | |
|----------------------------|-------------------|
| Depreciation (Unallocated) | \$ 400,553 |
| Total depreciation expense | <u>\$ 400,553</u> |

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the San Miguel Joint Union School District at June 30, 2011, is:

| <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2010</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2011</u> |
|------------------------------|--------------------------|--------------------------|---|-------------------------------------|--------------------------------------|--------------------------------------|
| 2000 | 5.2%-6.4% | 2025 | <u>\$ 3,845,780</u> | <u>\$ 2,192,291</u> | <u>\$ 184,927</u> | <u>\$ 2,007,364</u> |

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2011, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------|
| 2012 | \$ 177,713 | \$ 177,287 | \$ 355,000 |
| 2013 | 170,320 | 194,680 | 365,000 |
| 2014 | 164,962 | 215,038 | 380,000 |
| 2015 | 159,217 | 235,783 | 395,000 |
| 2016 | 152,466 | 252,534 | 405,000 |
| 2017-2021 | 698,141 | 1,571,859 | 2,270,000 |
| 2022-2025 | <u>484,545</u> | <u>1,640,455</u> | <u>2,125,000</u> |
| Totals | <u>\$ 2,007,364</u> | <u>\$ 4,287,636</u> | <u>\$ 6,295,000</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 8 –LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2011, is shown below:

| | <u>Balance July 1, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2011</u> | <u>Due within One Year</u> |
|----------------------|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Bonds payable | \$ 2,192,291 | \$ - | \$ 184,927 | \$ 2,007,364 | \$ 177,713 |
| Compensated absences | <u>15,472</u> | <u>4,438</u> | <u> </u> | <u>19,910</u> | <u> </u> |
| | <u>\$ 2,207,763</u> | <u>\$ 4,438</u> | <u>\$ 184,927</u> | <u>\$ 2,027,274</u> | <u>\$ 177,713</u> |

NOTE 9 - JOINT VENTURES (Joint Powers Agreements)

The San Miguel Joint Union School District participates in two joint ventures under joint powers agreements (JPAs); the Self-Insurance Program for Employees and the Self-Insured Schools of California Insurance Group II. The relationship between the San Miguel Joint Union School District and the JPAs are such that none of the JPAs are a component unit of the San Miguel Joint Union School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPAs.

Self-Insurance Program for Employees (S.I.P.E.)

S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured Schools of California Insurance Group II (S.I.S.C. II)

S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The San Miguel Joint Union School District pays a premium commensurate with the level of coverage requested.

Condensed financial information for the above JPA's for the fiscal year ended June 30, 2011, was not available as of the audit report date.

NOTE 10 - 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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 – EMPLOYEES' RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The San Miguel Joint 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 San Miguel Joint 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 2010-2011, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The San Miguel Joint Union School District's contributions to STRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$160,067, \$157,337, and \$180,875, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The San Miguel Joint 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 (7% of monthly salary over \$133.33, if the member participates in Social Security), and the San Miguel Joint 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 2010-2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by State statute. The San Miguel Joint Union School District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$71,676, \$71,513, and \$69,359, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District offers no postemployment benefits other than pension benefits.

NOTE 13 – NET ASSETS

The government-wide and fiduciary fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets – 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 Assets – This category represents net assets of the District, not restricted for any project or other purpose.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue Limit Sources: | | | | |
| State Apportionments | \$ 498,325 | \$ 894,133 | \$ 894,135 | \$ 2 |
| Local Sources | 2,181,025 | 2,057,714 | 2,056,546 | (1,168) |
| Federal Revenue | 305,735 | 612,832 | 586,468 | (26,364) |
| Other State Revenue | 776,796 | 877,424 | 900,860 | 23,436 |
| Other Local Revenue | 192,405 | 205,562 | 215,279 | 9,717 |
| Total Revenues | <u>3,954,286</u> | <u>4,647,665</u> | <u>4,653,288</u> | <u>5,623</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated Salaries | 1,770,660 | 1,991,841 | 2,003,623 | (11,782) |
| Classified Salaries | 708,678 | 726,029 | 726,229 | (200) |
| Employee Benefits | 648,339 | 664,356 | 665,856 | (1,500) |
| Books And Supplies | 210,719 | 269,687 | 219,261 | 50,426 |
| Services And Other Operating Expenditures | 547,515 | 564,240 | 558,396 | 5,844 |
| Other Outgo | 180,122 | 196,780 | 218,336 | (21,556) |
| Direct Support/Indirect Costs | (7,276) | (10,447) | (11,465) | 1,018 |
| Total Expenditures | <u>4,058,757</u> | <u>4,402,486</u> | <u>4,380,236</u> | <u>22,250</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(104,471)</u> | <u>245,179</u> | <u>273,052</u> | <u>27,873</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | - | - | 36,376 | 36,376 |
| Transfers Out | - | (16,658) | (16,658) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(16,658)</u> | <u>19,718</u> | <u>36,376</u> |
| Net Change in Fund Balance | (104,471) | 228,521 | 292,770 | 64,249 |
| Fund Balance, July 1 | 632,122 | 632,122 | 632,122 | - |
| Fund Balance, June 30 | <u>\$ 527,651</u> | <u>\$ 860,643</u> | <u>\$ 924,892</u> | <u>\$ 64,249</u> |

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SUPPLEMENTARY INFORMATION

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

| | Special Revenue Funds | Debt Service Fund <u>Bond</u> Interest & Redemption Fund | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|--|------------------------------|--|
| ASSETS: | | | | |
| Cash in County Treasury | \$ 20,408 | \$ 168,664 | \$ 153,405 | \$ 342,477 |
| Cash on Hand and in Banks | 250 | - | - | 250 |
| Accounts Receivable | 54,244 | - | 3,105 | 57,349 |
| Stores Inventories | 5,727 | - | - | 5,727 |
| Total Assets | <u>\$ 80,629</u> | <u>\$ 168,664</u> | <u>\$ 156,510</u> | <u>\$ 405,803</u> |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 12,094 | \$ - | \$ 13,327 | \$ 25,421 |
| Total Liabilities | <u>12,094</u> | <u>-</u> | <u>13,327</u> | <u>25,421</u> |
| Fund Balances: | | | | |
| Nonspendable Fund Balances: | | | | |
| Stores Inventories | 5,727 | - | - | 5,727 |
| Restricted Fund Balances | 62,808 | 168,664 | 142,664 | 374,136 |
| Assigned Fund Balances | - | - | 519 | 519 |
| Total Fund Balances | <u>68,535</u> | <u>168,664</u> | <u>143,183</u> | <u>380,382</u> |
| Total Liabilities and Fund Balances | <u>\$ 80,629</u> | <u>\$ 168,664</u> | <u>\$ 156,510</u> | <u>\$ 405,803</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

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

| | Special Revenue Funds | Debt Service Fund Bond Interest & Redemption Fund | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|---|------------------------------|--|
| Revenues: | | | | |
| Federal Revenue | \$ 237,664 | \$ - | \$ - | \$ 237,664 |
| Other State Revenue | 21,221 | 3,674 | - | 24,895 |
| Other Local Revenue | 31,027 | 337,384 | 38,511 | 406,922 |
| Total Revenues | <u>289,912</u> | <u>341,058</u> | <u>38,511</u> | <u>669,481</u> |
| Expenditures: | | | | |
| Pupil Services | 248,410 | - | - | 248,410 |
| General Administration | 11,465 | - | 1,527 | 12,992 |
| Plant Services | 23,120 | - | 112,545 | 135,665 |
| Debt Service: | | | | |
| Principal | - | 184,927 | - | 184,927 |
| Interest | - | 162,273 | - | 162,273 |
| Total Expenditures | <u>282,995</u> | <u>347,200</u> | <u>114,072</u> | <u>744,267</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>6,917</u> | <u>(6,142)</u> | <u>(75,561)</u> | <u>(74,786)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 16,658 | - | - | 16,658 |
| Transfers Out | (36,376) | - | - | (36,376) |
| Total Other Financing Sources (Uses) | <u>(19,718)</u> | <u>-</u> | <u>-</u> | <u>(19,718)</u> |
| Net Change in Fund Balances | (12,801) | (6,142) | (75,561) | (94,504) |
| Fund Balances, July 1 | 81,336 | 174,806 | 218,744 | 474,886 |
| Fund Balances, June 30 | <u>\$ 68,535</u> | <u>\$ 168,664</u> | <u>\$ 143,183</u> | <u>\$ 380,382</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2011

| | Cafeteria Fund | Deferred Maintenance Fund | Total Nonmajor Special Revenue Funds |
|--|-------------------------|---------------------------------|--|
| ASSETS: | | | |
| Cash in County Treasury | \$ 19,397 | \$ 1,011 | \$ 20,408 |
| Cash on Hand and in Banks | 250 | - | 250 |
| Accounts Receivable | 54,244 | - | 54,244 |
| Stores Inventories | 5,727 | - | 5,727 |
| Total Assets | <u><u>\$ 79,618</u></u> | <u><u>\$ 1,011</u></u> | <u><u>\$ 80,629</u></u> |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 11,083 | \$ 1,011 | \$ 12,094 |
| Total Liabilities | <u>11,083</u> | <u>1,011</u> | <u>12,094</u> |
| Fund Balances: | | | |
| Nonspendable Fund Balances: | | | |
| Stores Inventories | 5,727 | - | 5,727 |
| Restricted Fund Balances | 62,808 | - | 62,808 |
| Total Fund Balances | <u>68,535</u> | <u>-</u> | <u>68,535</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 79,618</u></u> | <u><u>\$ 1,011</u></u> | <u><u>\$ 80,629</u></u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Cafeteria Fund | Deferred Maintenance Fund | Total Nonmajor Special Revenue Funds |
|--|-------------------|---------------------------------|--|
| Revenues: | | | |
| Federal Revenue | \$ 237,664 | \$ - | \$ 237,664 |
| Other State Revenue | 21,221 | - | 21,221 |
| Other Local Revenue | 30,899 | 128 | 31,027 |
| Total Revenues | <u>289,784</u> | <u>128</u> | <u>289,912</u> |
| Expenditures: | | | |
| Pupil Services | 248,410 | - | 248,410 |
| General Administration | 11,465 | - | 11,465 |
| Plant Services | 11,956 | 11,164 | 23,120 |
| Total Expenditures | <u>271,831</u> | <u>11,164</u> | <u>282,995</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>17,953</u> | <u>(11,036)</u> | <u>6,917</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | - | 16,658 | 16,658 |
| Transfers Out | - | (36,376) | (36,376) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(19,718)</u> | <u>(19,718)</u> |
| Net Change in Fund Balances | 17,953 | (30,754) | (12,801) |
| Fund Balances, July 1 | 50,582 | 30,754 | 81,336 |
| Fund Balances, June 30 | <u>\$ 68,535</u> | <u>\$ -</u> | <u>\$ 68,535</u> |

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SAN MIGUEL JOINT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2011

| | Building Fund | Capital Facilities Fund |
|---------------------------------------|------------------|-------------------------------|
| ASSETS: | | |
| Cash in County Treasury | \$ 787 | \$ 151,940 |
| Accounts Receivable | - | 3,105 |
| Total Assets | <u>\$ 787</u> | <u>\$ 155,045</u> |
| LIABILITIES AND FUND BALANCES: | | |
| Liabilities: | | |
| Accounts Payable | \$ - | \$ 13,327 |
| Total Liabilities | <u>-</u> | <u>13,327</u> |
| Fund Balances: | | |
| Restricted Fund Balances | 787 | 141,718 |
| Assigned Fund Balances | - | - |
| Total Fund Balances | <u>787</u> | <u>141,718</u> |
| Total Liabilities and Fund Balances | <u>\$ 787</u> | <u>\$ 155,045</u> |

| County School Facilities Fund | Special Reserve Fund | Total Nonmajor Capital Projects Funds |
|-------------------------------------|----------------------------|---|
| \$ 159 | \$ 519 | \$ 153,405 |
| - | - | 3,105 |
| <u>\$ 159</u> | <u>\$ 519</u> | <u>\$ 156,510</u> |
| | | |
| \$ - | \$ - | \$ 13,327 |
| <u>-</u> | <u>-</u> | <u>13,327</u> |
| | | |
| 159 | - | 142,664 |
| - | 519 | 519 |
| <u>159</u> | <u>519</u> | <u>143,183</u> |
| <u>\$ 159</u> | <u>\$ 519</u> | <u>\$ 156,510</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Building Fund | Capital Facilities Fund |
|--|------------------|-------------------------------|
| Revenues: | | |
| Other Local Revenue | \$ 3 | \$ 38,505 |
| Total Revenues | <u>3</u> | <u>38,505</u> |
| Expenditures: | | |
| General Administration | - | 1,527 |
| Plant Services | - | 112,545 |
| Total Expenditures | <u>-</u> | <u>114,072</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>3</u> | <u>(75,567)</u> |
| Net Change in Fund Balances | 3 | (75,567) |
| Fund Balances, July 1 | 784 | 217,285 |
| Fund Balances, June 30 | <u>\$ 787</u> | <u>\$ 141,718</u> |

| County School Facilities Fund | Special Reserve Fund | Total Nonmajor Capital Projects Funds |
|-------------------------------------|----------------------------|---|
| \$ 1 | \$ 2 | \$ 38,511 |
| <u>1</u> | <u>2</u> | <u>38,511</u> |
| - | - | 1,527 |
| - | - | 112,545 |
| <u>-</u> | <u>-</u> | <u>114,072</u> |
| 1 | 2 | (75,561) |
| 1 | 2 | (75,561) |
| 158 | 517 | 218,744 |
| <u>\$ 159</u> | <u>\$ 519</u> | <u>\$ 143,183</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

CAFETERIA FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------------------------|
| Revenues: | | | |
| Federal Revenue | \$ 237,665 | \$ 237,664 | \$ (1) |
| Other State Revenue | 21,221 | 21,221 | - |
| Other Local Revenue | 30,898 | 30,899 | 1 |
| Total Revenues | <u>289,784</u> | <u>289,784</u> | <u>-</u> |
| Expenditures: | | | |
| Current: | | | |
| Classified Salaries | 89,149 | 89,148 | 1 |
| Employee Benefits | 25,321 | 25,322 | (1) |
| Books And Supplies | 139,544 | 139,544 | - |
| Services And Other Operating Expenditures | 6,351 | 6,352 | (1) |
| Direct Support/Indirect Costs | 11,465 | 11,465 | - |
| Total Expenditures | <u>271,830</u> | <u>271,831</u> | <u>(1)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>17,954</u> | <u>17,953</u> | <u>(1)</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 17,954 | 17,953 | (1) |
| Fund Balance, July 1 | 50,582 | 50,582 | - |
| Fund Balance, June 30 | <u>\$ 68,536</u> | <u>\$ 68,535</u> | <u>\$ (1)</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|-----------------|------------------------------------|
| Revenues: | | | |
| Other Local Revenue | \$ 272 | \$ 128 | \$ (144) |
| Total Revenues | <u>272</u> | <u>128</u> | <u>(144)</u> |
| Expenditures: | | | |
| Current: | | | |
| Books And Supplies | 1,261 | 1,260 | 1 |
| Services And Other Operating Expenditures | 9,903 | 9,904 | (1) |
| Total Expenditures | <u>11,164</u> | <u>11,164</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(10,892)</u> | <u>(11,036)</u> | <u>(144)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 16,658 | 16,658 | - |
| Transfers Out | (36,376) | (36,376) | - |
| Total Other Financing Sources (Uses) | <u>(19,718)</u> | <u>(19,718)</u> | <u>-</u> |
| Net Change in Fund Balance | (30,610) | (30,754) | (144) |
| Fund Balance, July 1 | 30,754 | 30,754 | - |
| Fund Balance, June 30 | <u>\$ 144</u> | <u>\$ -</u> | <u>\$ (144)</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

BOND INTEREST AND REDEMPTION FUND

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|------------------------------------|
| Revenues: | | | |
| Other State Revenue | \$ 2,434 | \$ 3,674 | \$ 1,240 |
| Other Local Revenue | 305,947 | 337,384 | 31,437 |
| Total Revenues | <u>308,381</u> | <u>341,058</u> | <u>32,677</u> |
| Expenditures: | | | |
| Debt Service: | | | |
| Principal | 184,927 | 184,927 | - |
| Interest | 160,073 | 162,273 | (2,200) |
| Total Expenditures | <u>345,000</u> | <u>347,200</u> | <u>(2,200)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(36,619)</u> | <u>(6,142)</u> | <u>30,477</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (36,619) | (6,142) | 30,477 |
| Fund Balance, July 1 | 174,806 | 174,806 | - |
| Fund Balance, June 30 | <u>\$ 138,187</u> | <u>\$ 168,664</u> | <u>\$ 30,477</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

BUILDING FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|---------------|------------------------------------|
| Revenues: | | | |
| Other Local Revenue | \$ - | \$ 3 | \$ 3 |
| Total Revenues | <u>-</u> | <u>3</u> | <u>3</u> |
| Expenditures: | | | |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>3</u> | <u>3</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | - | 3 | 3 |
| Fund Balance, July 1 | 784 | 784 | - |
| Fund Balance, June 30 | <u>\$ 784</u> | <u>\$ 787</u> | <u>\$ 3</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

CAPITAL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|------------------------------------|
| Revenues: | | | |
| Other Local Revenue | \$ 38,378 | \$ 38,505 | \$ 127 |
| Total Revenues | <u>38,378</u> | <u>38,505</u> | <u>127</u> |
| Expenditures: | | | |
| Current: | | | |
| Books And Supplies | 100,569 | 100,568 | 1 |
| Services And Other Operating Expenditures | 14,822 | 13,229 | 1,593 |
| Capital Outlay | (1,319) | 275 | (1,594) |
| Total Expenditures | <u>114,072</u> | <u>114,072</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(75,694)</u> | <u>(75,567)</u> | <u>127</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (75,694) | (75,567) | 127 |
| Fund Balance, July 1 | 217,285 | 217,285 | - |
| Fund Balance, June 30 | <u>\$ 141,591</u> | <u>\$ 141,718</u> | <u>\$ 127</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

COUNTY SCHOOL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|---------------|------------------------------------|
| Revenues: | | | |
| Other Local Revenue | \$ - | \$ 1 | \$ 1 |
| Total Revenues | <u>-</u> | <u>1</u> | <u>1</u> |
| Expenditures: | | | |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>1</u> | <u>1</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | - | 1 | 1 |
| Fund Balance, July 1 | 158 | 158 | - |
| Fund Balance, June 30 | <u>\$ 158</u> | <u>\$ 159</u> | <u>\$ 1</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|---------------|------------------------------------|
| Revenues: | | | |
| Other Local Revenue | \$ - | \$ 2 | \$ 2 |
| Total Revenues | <u>-</u> | <u>2</u> | <u>2</u> |
| Expenditures: | | | |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>2</u> | <u>2</u> |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | - | 2 | 2 |
| Fund Balance, July 1 | 517 | 517 | - |
| Fund Balance, June 30 | <u>\$ 517</u> | <u>\$ 519</u> | <u>\$ 2</u> |

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2011

The San Miguel Joint Union School District was formed in 1871, and is comprised of an area of approximately 200 square miles located in San Luis Obispo and Monterey Counties. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating two elementary schools for grades kindergarten through eighth.

BOARD OF TRUSTEES

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|-------------------|---------------|---------------------|
| John Green | President | 2014 |
| Mary Jo Del Campo | Clerk | 2014 |
| Charlie W. Brooks | Member | 2012 |
| Rob Roberson | Member | 2012 |
| Randy Kwiatkowski | Member | 2012 |

ADMINISTRATION

Curt Dubost
Superintendent

Sherrie Castellanos
Director of Business Services

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Second Period Report | Annual Report | |
|--------------------------|----------------------------|------------------|---------------|
| | | Original | Revised |
| Elementary | | | |
| Kindergarten | 68.10 | 67.05 | 68.54 |
| Grades one through three | 194.84 | 194.51 | 195.73 |
| Grades four through six | 181.06 | 180.81 | 180.91 |
| Grades seven and eight | 75.67 | 75.34 | 75.43 |
| Special Education | 8.37 | 8.26 | 8.26 |
| Community day school | | 0.55 | 0.55 |
| | <u>528.04</u> | <u>526.52</u> | <u>529.42</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.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Grade Level | 1982-83 Actual Minutes | Revised 1982-83 Minutes Requirement | 1986-87 Minutes Requirement | Revised 1986-87 Minutes Requirement | 2010-11 Actual Minutes | Number of days Traditional Calendar | Status |
|--------------|------------------------|-------------------------------------|-----------------------------|-------------------------------------|------------------------|-------------------------------------|---------------|
| Kindergarten | 34,125 | 31,177 | 36,000 | 35,000 | 59,065 | 175 | In compliance |
| Grade 1 | 47,250 | 45,938 | 50,400 | 49,000 | 56,915 | 175 | In compliance |
| Grade 2 | 47,250 | 45,938 | 50,400 | 49,000 | 56,915 | 175 | In compliance |
| Grade 3 | 52,500 | 45,938 | 50,400 | 49,000 | 56,915 | 175 | In compliance |
| Grade 4 | 52,500 | 51,042 | 54,000 | 52,500 | 57,790 | 175 | In compliance |
| Grade 5 | 52,500 | 51,042 | 54,000 | 52,500 | 57,790 | 175 | In compliance |
| Grade 6 | 52,500 | 51,042 | 54,000 | 52,500 | 57,790 | 175 | In compliance |
| Grade 7 | 52,500 | 51,042 | 54,000 | 52,500 | 61,589 | 175 | In compliance |
| Grade 8 | 52,500 | 51,042 | 54,000 | 52,500 | 61,589 | 175 | In compliance |

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

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

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

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

| <u>General Fund</u> | <u>(Budget) 2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|--------------------------|-------------------|-------------------|-------------------|
| Revenues and other financial sources | \$ 4,483,803 | \$ 4,689,664 | \$ 4,162,445 | \$ 4,959,651 |
| Expenditures | 4,638,329 | 4,380,236 | 4,051,069 | 4,909,760 |
| Other uses and transfers out | <u>16,658</u> | <u>16,658</u> | <u>16,619</u> | <u>20,460</u> |
| Total outgo | <u>4,654,987</u> | <u>4,396,894</u> | <u>4,067,688</u> | <u>4,930,220</u> |
| Change in fund balance | <u>(171,184)</u> | <u>292,770</u> | <u>94,757</u> | <u>29,431</u> |
| Ending fund balance | <u>\$ 753,708</u> | <u>\$ 924,892</u> | <u>\$ 632,122</u> | <u>\$ 537,365</u> |
| Available reserves | <u>\$ 578,795</u> | <u>\$ 747,155</u> | <u>\$ 631,772</u> | <u>\$ 537,015</u> |
| Designated for economic uncertainties | <u>\$ 183,858</u> | <u>\$ 336,304</u> | <u>\$ 173,976</u> | <u>\$ 75,302</u> |
| Undesignated/unassigned fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 77,964</u> | <u>\$ 203,156</u> |
| Available reserves as a percentage of total outgo | 12.43% | 16.99% | 15.53% | 10.89% |
| Total long-term debt | \$ 1,849,561 | \$ 2,027,274 | \$ 2,207,763 | \$ 2,407,772 |
| Average Daily attendance at P-2 | 541 | 528 | 517 | 527 |

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal year budget information. These financial trends 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 \$387,527 over the past two fiscal years. The fiscal year 2011-12 budget projects a decrease of \$171,184 in fund balance. For a District this size, the State recommends available reserves of at least 4 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in each of the past three fiscal years, and the District anticipates a deficit in the 2011-12 fiscal year. Total long-term debt has decreased by \$380,498 over the past two fiscal years.

Average daily attendance has increased by 1 over the past two fiscal years. An increase of 13 ADA is anticipated during the fiscal year 2011-12.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT

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

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal Catalog Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|------------------------------|---|--------------------------|
| Federal Programs: | | | |
| Passed through California | | | |
| Department of Education: | | | |
| Title I | 84.010 | 3010 | \$ 61,429 |
| ARRA - Title I | 84.389 | 3011 | 22,608 |
| ARRA - Fiscal Stabilization | 84.394 | 3200 | 42,823 |
| Special Education | 84.027 | 3310 | 92,167 |
| Improving Teacher Quality | 84.367 | 4035 | 24,673 |
| English Language Acquisition | 84.365 | 4045 | 857 |
| Title X | 84.196 | 5630 | 1,697 |
| ARRA - Education Technology | 84.386 | 4077 | 1,032 |
| Rural and Low Income School Program | 84.358 | 5810 | 36,482 |
| ARRA - Special Education | 84.391 | 3313 | (1,041) |
| Title III - Limited English | 84.365 | 4203 | 15,228 |
| ARRA - Special Education | 84.392 | 3319 | 105 |
| Special Education - IDEA | 84.027A | 3320 | 21,658 |
| Special Education - IDEA | 84.173 | 3315 | 1,238 |
| Title I - Program Improvement | 84.010 | 3185 | 50,000 |
| Ed Jobs | 84.410 | 3205 | <u>81,368</u> |
| Total U.S. Department of Education | | | <u>452,324</u> |
| U.S. Department of Agriculture: | | | |
| Passed through California | | | |
| Department of Education: | | | |
| National School Lunch | 10.555 | 5310 | 144,800 |
| National School Breakfast | 10.553 | 5310 | 79,855 |
| Commodities | 10.565 | 5310 | <u>13,009</u> |
| Total U.S. Department of Agriculture | | | <u>237,664</u> |
| Health and Human Services | | | |
| Medi-Cal Administrative Activities | 93.778 | 0000 | 4,292 |
| Medi-Cal Billing | 93.778 | 5640 | <u>129,852</u> |
| Total Health and Human Services | | | <u>134,144</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 824,132</u></u> |

The accompanying note is an integral part of this schedule.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Miguel Joint Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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SAN MIGUEL JOINT UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
 AUDITED FINANCIAL STATEMENTS
 JUNE 30, 2011

| | <u>General Fund</u> | <u>Cafeteria Fund</u> | <u>Deferred Maintenance Fund</u> |
|---|-------------------------|---------------------------|--|
| June 30, 2011 annual financial and budget report fund balances | <u>\$ 924,892</u> | <u>\$ 68,535</u> | <u>\$ -</u> |
| June 30, 2011 audited financial statements fund balances | <u>\$ 924,892</u> | <u>\$ 68,535</u> | <u>\$ -</u> |
| | | | <u>Long-Term Debt</u> |
| June 30, 2011 annual financial and budget report long-term debt total liabilities | | | \$ 1,727,156 |
| Understatement of general obligation bonds payable | | | <u>300,118</u> |
| June 30, 2011 audited financial statements long-term debt total liabilities | | | <u>\$ 2,027,274</u> |

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balances of the long-term debt total liabilities.

| Special Reserve Fund | Building Fund | Capital Facilities Fund | County School Facilities Fund | Bond Interest and Redemption Fund |
|----------------------------|------------------|-------------------------------|--|--|
| <u>\$ 519</u> | <u>\$ 787</u> | <u>\$ 141,718</u> | <u>\$ 159</u> | <u>\$ 168,664</u> |
| <u>\$ 519</u> | <u>\$ 787</u> | <u>\$ 141,718</u> | <u>\$ 159</u> | <u>\$ 168,664</u> |



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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
San Miguel Joint Union School District
San Miguel, California

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the San Miguel Joint Union School District (the District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the San Miguel Joint Union School District's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2011-1 through 2011-4, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not audit San Miguel Joint Union School District's responses and accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP
December 15, 2011



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
San Miguel Joint Union School District
San Miguel, California

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the San Miguel Joint Union School District as of and for the fiscal year ended June 30, 2011, which collectively comprise the San Miguel Joint Union School District's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance 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. We have also audited the District's compliance with the requirements specified in the Education Audit Appeals Panels, Standards and Procedures for Audits of California K-12 Local Education Agencies, applicable to the District's statutory requirements identified below for the fiscal year ended June 30, 2011. Compliance with the requirements referred to above are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule 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 the 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 (reporting, independent study, continuation education) and Incentive for longer instructional day (school districts, county offices of education). Also includes Gann limit calculation and Early retirement incentive program.

| <u>Description</u> | <u>Procedures in Panel's Audit Guide</u> | <u>Procedures Performed</u> |
|--|--|---------------------------------|
| Classroom teacher salaries | 1 | Yes |
| Class size reduction: | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not applicable |
| Only one school serving K-3 | 4 | Not applicable |
| Instructional materials fund: | | |
| General requirements | 8 | Yes |
| Ratios of administrative employees to teachers | 1 | Yes |
| School accountability report card | 3 | Yes |
| Contemporaneous records of attendance, for charter schools | 1 | Not applicable |
| Nonclassroom-based instruction independent study, for charter schools | 15 | Not applicable |
| Mode of instruction, for charter schools | 1 | Not applicable |
| Determination of funding for nonclassroom-based instruction, for charter schools | 3 | Not applicable |
| Annual instructional minutes – classroom based, for charter schools | 3 | Not applicable |
| After school education and safety program: | | |
| General requirements | 4 | Yes |
| After school | 4 | Yes |
| Before school | 5 | Not applicable |
| Public hearing requirement receipt of funds | 1 | Yes |

We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

In our opinion, the San Miguel Joint 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Education Audit Appeal Panel's, *Standards and Procedures for Audits of California K-12 Local Educational Agencies* and which is described in the accompanying Schedule of Findings and Questioned costs as items 2011-5 through 2011-7. We did not audit San Miguel Joint 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, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 15, 2011



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

Board of Trustees
San Miguel Joint Union School District
San Miguel, California

Compliance

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

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

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

Internal Control over Compliance

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

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

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

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

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 15, 2011

FINDINGS AND RECOMMENDATIONS SECTION

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section I – Summary of Auditor's Results

Financial Statements

| | | | |
|---|--------------------|---------------------|--|
| Type of auditor's report issued | <u>Unqualified</u> | | |
| Internal control over financial reporting: | | | |
| Material weaknesses identified? | _____ Yes | <u> X </u> No | |
| Significant deficiencies identified not considered to be material weaknesses? | <u> X </u> Yes | _____ None reported | |
| Noncompliance material to financial statements noted? | _____ Yes | <u> X </u> No | |

Federal Awards

| | | | |
|---|-----------|----------------------------|--|
| Internal control over major programs: | | | |
| Material weaknesses identified? | _____ Yes | <u> X </u> No | |
| Significant deficiencies identified not considered to be material weaknesses? | _____ Yes | <u> X </u> None reported | |

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)

| | |
|-----------|-----------------|
| _____ Yes | <u> X </u> No |
|-----------|-----------------|

Identification of major programs

CFDA Number (s)
10.553, 10.555, 10.565
84.027, 84.027A, 84.173, 84.391, 84.392
84.394
84.410

Name of Federal Program or Cluster
Child Nutrition
Special Education
ARRA Fiscal Stabilization
Ed Jobs

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee:

| | |
|-----------|-----------------|
| _____ Yes | <u> X </u> No |
|-----------|-----------------|

State Awards

| | | | |
|---|------------------|---------------------|--|
| Internal control over state programs: | | | |
| Material weaknesses identified? | _____ Yes | <u> X </u> No | |
| Significant deficiencies identified not considered to be material weaknesses? | <u> X </u> Yes | _____ None reported | |

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

Qualified

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section II – Financial Statements Findings

FINDING 2011-1
CREDIT CARDS
30000

FINDING:

During testing of credit card disbursements, we noted that in four out of the ten credit card transactions tested, the District had an outstanding balance. Due to not paying off the entire balance in a timely manner, the District incurred finance charges and late fees. Furthermore, it was also noted that credit card late fees and finance charges were coded to the same general ledger expense as the actual expense.

RECOMMENDATION:

The District should design and implement internal control procedures to ensure that credit card payments are made for the entire statement balance. Credit card activity should be paid on-time in order to avoid late fees and finance charges. Additionally, authorized personnel should review transactions to ensure that late fees and finance charges are posted in the appropriate general ledger expense account.

DISTRICT'S CORRECTIVE ACTION PLAN:

The district has had a change in personnel. In addition, timely payments are being made to insure late fees are not assessed. Regarding the coding of late fees, the district prior to the close of the books reviewed statements and entries were made to correct the coding.

FINDING 2011-2
EMPLOYEE REIMBURSEMENT
30000

FINDING:

During testing of employee reimbursements, it was noted that no formal approval was present for two of ten employee reimbursements.

RECOMMENDATION:

The District should implement oversight procedures that include documentation of approval on all disbursements and complete documentation for all expenditures, in order to reduce risk of possible misappropriations of assets.

DISTRICT'S CORRECTIVE ACTION PLAN:

The two of ten referred to as not having formal approval were staff that are authorized signatures. The district will require that if an authorized signature is requesting a reimbursement, a second authorized signature is required for processing.

FINDING 2011-3
STUDENT BODY RECEIPTS
30000

FINDING:

During our review of the Associated Student Body, records concerning student body fundraising activities were incomplete. In three out of ten instances, supporting documentation was insufficient to support the amount of funds deposited to the amount of funds collected. Furthermore, in one out of ten instances, the amount of funds deposited and corresponding supporting documentation could not be reconciled.

RECOMMENDATION:

The District should implement appropriate internal controls to ensure that adequate documentation is maintained for all student body fundraising activities. Supporting documentation should substantiate the fundraised amounts and be attached to all deposits to ensure that funds collected are deposited to the bank account.

DISTRICT'S CORRECTIVE ACTION PLAN:

The district will continue to enforce the forms in place to require staff to provide corresponding documentation to substantiate deposits and review the documentation is attached.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

FINDING 2011-4
STUDENT BODY DISBURSEMENTS
30000

FINDING:

In testing student body disbursements, it was noted that three out of ten disbursements were for expenses incurred at the discretion of a specific teacher, not the students'. Furthermore, two out of ten disbursements did not contain approval for disbursement of ASB funds.

RECOMMENDATION:

Internal controls over ASB accounts are important for the ASB to operate efficiently and effectively for the benefits of the students. The ASB trust fund account should not be used as a pass-through account or be comingled with any other funds that are not for the student body. Internal controls should include approval of disbursements per Ed Code 48933 to ensure that only approved ASB requests for disbursements are incurred.

DISTRICT'S CORRECTIVE ACTION PLAN:

The funds referred to that were at the discretion of the teacher were donated funds and were moved to the general fund for proper accounting. The district has changed personnel and will enforce the requirement of approvals of all disbursements.

**SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

Section III – Federal Awards Findings and Questioned Costs

There were no Federal award findings and questioned costs.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011
Section IV - State Award Findings and Questioned Costs

FINDING 2011-5
ATTENDANCE
10000

CRITERIA:

In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education. The Principal Annual report of attendance submitted to the California Department of Education must reconcile to the supporting documents.

CONDITION:

In testing attendance, it was noted that the Principal Annual Report of Attendance submitted to the California Department of Education did not reconcile to the supporting documents.

EFFECT:

The District under-reported average daily attendance by 2.90 in the P-Annual report.

| | Submitted P-A | Corrected P-A | Difference |
|--------------|---------------|---------------|--------------|
| Kindergarten | 67.05 | 68.54 | -1.49 |
| Grades 1-3 | 194.51 | 195.73 | -1.22 |
| Grades 4-6 | 180.81 | 180.91 | -0.10 |
| Grades 7-8 | 75.34 | 75.43 | -0.09 |
| Opportunity | 0.55 | 0.55 | 0.00 |
| Special Ed | 8.26 | 8.26 | 0.00 |
| Total | 526.52 | 529.42 | -2.90 |

CAUSE:

The District inadvertently made changes to month one, three, four and six in the monthly summary recap used to prepared the Principal Annual Report of Attendance submitted to the State.

QUESTINED COSTS:

\$18,147.59 at P-Annual (2.90 ADA @ \$6,257.79 per ADA).

RECOMMENDATION:

The District should amend the P-Annual report to reflect the above changes.

DISTRICT'S CORRECTIVE ACTION PLAN:

The district made a human error when creating the report for the P-Annual. Internal control has been put in place to check the signed attendance rosters to the spreadsheet. The district will continue to review and verify if the numbers are correct.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

2011-6
AFTER SCHOOL EDUCATION AND SAFETY PROGRAM
40000

CRITERIA:

As pursuant to Education Code Section 8482.3(f)(10)(C), the number of students served and reported to the California Department of Education must be supported by written records that document pupil participation in the program.

CONDITION:

The reported numbers of students served and the totals arising from the supporting documentation did not match.

EFFECT:

The District under-reported number of students served by 107 in the 1st Semi-annual ASES Report.

| <u>School Name</u> | <u>Originally Submitted Total Number Pupils Served</u> | <u>Per Corrected Total Number Pupils Served</u> |
|--------------------------------|--|---|
| Lillian Larsen School District | 6,902 | 7,009 |

CAUSE:

The District did not count the number of students served correctly.

QUESTINED COSTS:

\$0

RECOMMENDATION:

We recommend that the District amend their fiscal year 2010/11 ASES report of students served to increase the reported students served by 107.

DISTRICT'S CORRECTIVE ACTION PLAN:

The district made a human error when creating the report for the ASES report. Internal control has been put in place to check the signed attendance rosters to the spreadsheet. The district will continue to review and verify the numbers are correct.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

2011-7
KINDERGARTEN CONTINUANCE
40000

CRITERIA:

Education Code section 48011 requires a child who has completed a year of kindergarten to be promoted to first grade, unless the parent or guardian and the district agree that the child may continue in kindergarten not more than one additional school year. The District must have a signed parental agreement to continue form, approved in form and content by the California Department of Education, for each such pupil that was retained

CONDITION:

The District did not have signed parental agreement to continue form, as approved in form and content by the California Department of Education, for each pupil that was retained from the 2009-10 school year to the 2010-11 school year.

EFFECT:

This has resulted in ADA being overstated by 2.0

CAUSE:

The District did not retain the signed parental agreement form.

QUESTIONED COSTS:

(\$12,515.58), 2 ADA @ 6,258.79 per ADA

RECOMMENDATION:

A policy should be implemented that requires a copy of the kindergarten retention form be kept at the District to support the kindergarten attendance claim in subsequent fiscal years.

DISTRICT'S CORRECTIVE ACTION PLAN:

Personnel has been changed. In addition, we hold a beginning of the year meeting and throughout the year to review internal controls. The compliance for continuance forms are part of the agenda. Also, personnel will be attending a conference for additional professional development.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section II – Financial Statements Findings

FINDING 2010-1
PAYROLL
30000

FINDING:

Personnel action forms were not approved by authorized District personnel in 10 out of 25 payroll transactions tested.

RECOMMENDATION:

The District should implement procedures so that authorized District personnel reviews and approves personnel action forms to ensure that all employees are paid per approved District salary rates.

CURRENT STATUS:

Implemented.

FINDING 2010-2
STUDENT BODY RECEIPTS
30000

FINDING:

Records concerning student body fundraising activities were incomplete. In one out of ten instances, no supporting documentation was filed to support the amount of funds deposited to the amount of funds collected. Furthermore, in one out of ten instances the amount of funds deposited and corresponding supporting documentation could not be reconciled.

RECOMMENDATION:

The District should implement appropriate internal controls to ensure that adequate documentation is maintained for all student body fundraising activities. Supporting documentation should substantiate the fundraised amounts and be attached to all deposits to ensure that funds collected are deposited to the bank account.

CURRENT STATUS:

Not Implemented. See current fiscal year finding 2011-3.

FINDING 2010-3
STUDENT BODY DISBURSEMENTS
30000

FINDING:

Records concerning student body disbursements did not contain approval for disbursement of ASB funds. In two out of ten instances, no approval for payment was present in the disbursements.

RECOMMENDATION:

Internal controls over ASB accounts are important for the ASB to operate efficiently and effectively for the benefits of the students. These controls should include approval of disbursements per Ed Code 48933.

CURRENT STATUS:

Not Implemented. See current fiscal year finding 2011-4.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

FINDING 2010-4
ATTENDANCE
30000

FINDING:

Out of the five daily attendance lists sampled for San Miguel Joint Union School District, three were not signed by the class's Teacher, as required.

RECOMMENDATION:

The District should continue to require teachers to sign the daily attendance lists and require the Attendance Clerk to check for signatures in order to hold the District accountable for attendance figures.

CURRENT STATUS:

Implemented

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section III – Federal Awards Findings and Questioned Costs

FINDING 2010-5

CRITERIA:

A single audit is to be performed and submitted to the federal Clearinghouse within nine months after the fiscal year end.

CONDITION:

The District's single report for the fiscal year ending June 30, 2010, was not filed on time. The audit report was due March 31, 2011.

RECOMMENDATION:

The District's single audit should be filed on a timely basis. The District can extend the due date if necessary by applying with the cognizant and oversight agencies for additional time.

CURRENT STATUS:

Implemented.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section IV - State Award Findings and Questioned Costs

2010-06
CLASS SIZE REDUCTION
40000

CRITERIA:

The results of average daily enrollment calculation should exclude independent study when calculating Class Size Reduction reported to the state.

CONDITION:

The District did not exclude pupils in independent study in the average daily enrollment in CSR.

EFFECT:

Understatement of five (5) students.

| Originally Submitted | | | Per Corrected | | |
|---|--------------------------------|-----------------------------|---|--------------------------------|-----------------------------|
| Number of pupils enrolled in each Class | Number of classes of each size | Total pupils per class size | Number of pupils enrolled in each class | Number of classes of each size | Total pupils per class size |
| Grade One | | | | | |
| 14 | 3 | 42 | 14 | 1 | 14 |
| | | | 16 | 2 | 32 |
| Total | <u>3</u> | <u>42</u> | Total | <u>3</u> | <u>46</u> |
| Grade Two | | | | | |
| 18 | 1 | 18 | 18 | 1 | 18 |
| 19 | 2 | 38 | 19 | 2 | 38 |
| Total | <u>3</u> | <u>56</u> | Total | <u>3</u> | <u>56</u> |
| Grade Three | | | | | |
| 14 | 1 | 14 | 14 | 1 | 14 |
| 16 | 1 | 16 | 16 | 1 | 16 |
| Total | <u>2</u> | <u>30</u> | Total | <u>2</u> | <u>30</u> |
| Kindergarten | | | | | |
| 16 | 1 | 16 | 16 | 1 | 16 |
| 17 | 1 | 17 | 18 | 2 | 36 |
| 18 | 1 | 18 | | | |
| Total | <u>3</u> | <u>51</u> | Total | <u>3</u> | <u>52</u> |
| Combination | | | | | |
| 7 | 1 | 7 | 7 | 1 | 7 |
| Total | <u>1</u> | <u>7</u> | Total | <u>1</u> | <u>7</u> |
| Total Eligible | | 186 | | | 191 |
| Per Pupil | | <u>\$ 1,071</u> | | | <u>\$ 1,071</u> |
| Total Apportionment | | <u>\$ 199,206</u> | | | <u>\$ 204,561</u> |

CAUSE:

District oversight.

QUESTIONED COSTS:

\$(5,355)

RECOMMENDATION:

We recommend the District to amend the J-7CSR, to reflect the above changes.

CURRENT STATUS:

Implemented.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

2010-07
AFTER SCHOOL EDUCATION AND SAFETY PROGRAM
40000

CRITERIA:

The reported number of students served for the selected school did not reconcile to supported written records that document pupil participation.

CONDITION:

The reported numbers of students served and the totals arising from the supporting documentation did not match.

EFFECT:

The District over-reported number of students served by 85 in the 2nd Semi-annual ASES Report.

| <u>School Name</u> | <u>Originally Submitted Total Number Pupils Served</u> | <u>Per Corrected Total Number Pupils Served</u> |
|--------------------------------|--|---|
| Lillian Larsen School District | 10,077 | 9,992 |

CAUSE:

The District erroneously double counted three students.

QUESTIONED COSTS:

\$0

RECOMMENDATION:

We recommend the District to amend their fiscal year 2009/10 ASES report of students served to decrease the reported students served by 85.

CURRENT STATUS:

Not Implemented. See current fiscal year finding 2011-6.

SAN MIGUEL JOINT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

FINDING 2010-8
ATTENDANCE
10000

CRITERIA:

The Second Period and Annual reports of attendance submitted to the California Department of Education must be prepared in accordance with Education Code Section 41601.

CONDITION:

In testing attendance, it was noted that the attendance summary used to prepare the Second Period and Annual attendance reports did not reconcile to the monthly attendance summaries maintained by the District. Furthermore, the monthly attendance summaries did not reconcile to the teacher attendance registers. The District could not provide supporting documentation for the discrepancies.

EFFECT:

| | Submitted P-2 | Corrected P-2 | Difference |
|--------------|------------------|------------------|--------------|
| Kindergarten | 64.30 | 63.58 | -0.72 |
| Grades 1-3 | 191.77 | 187.58 | -4.19 |
| Grades 4-6 | 172.43 | 172.37 | -0.06 |
| Grades 7-8 | 80.01 | 76.21 | -3.80 |
| Special Ed | 4.14 | 4.14 | 0 |
| Other | 4.85 | 4.46 | -0.39 |
| Total | 517.50 | 508.34 | -9.16 |

| | Submitted P-Annual | Corrected P-Annual | Difference |
|--------------|-----------------------|-----------------------|--------------|
| Kindergarten | 64.68 | 63.63 | -1.05 |
| Grades 1-3 | 191.45 | 187.10 | -4.35 |
| Grades 4-6 | 172.22 | 171.80 | -0.42 |
| Grades 7-8 | 79.29 | 76.37 | -2.92 |
| Special Ed | 4.49 | 4.49 | 0 |
| Other | 4.45 | 4.46 | 0.01 |
| Total | 517.50 | 508.34 | -8.73 |

CAUSE:

The District implemented new attendance software at one of the schools that the District operates. The District inadvertently overstated ADA on this school based on incorrect monthly attendance reported by the new accounting software.

QUESTIONED COSTS:

\$(56,865.83), based on 9.16 ADA @ \$6,208.06 per ADA.

RECOMMENDATION:

The District should review attendance files to ensure that the Second Period and Annual Reports reconcile to the attendance summary, the monthly attendance summaries, and the teachers' attendance registers. In addition, any changes or adjustments made in the attendance system or reports should be properly documented.

CURRENT STATUS:

Not Implemented. See current fiscal year finding 2011-5.

