



MATSON  
& ISOM

DURHAM UNIFIED SCHOOL DISTRICT

**County of Butte  
Durham, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Durham Unified School District  
Durham, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Durham Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2012, on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules listed in the table of contents 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 the 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.

## INDEPENDENT AUDITORS' REPORT

Continued

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

*Matson and Isom*

December 10, 2012  
Chico, California

**FINANCIAL SECTION**

**Required Supplementary Information**

**INTRODUCTION**

This section of the Durham Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the independent auditors' report presented and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net assets and statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities provide information about how District services were financed in the short term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds.

**FINANCIAL HIGHLIGHTS**

- Total net assets \$7,579,542 at June 30, 2012. This was a decrease of \$705,165 over the prior year.
- Capital assets, net of depreciation, decreased by \$365,370 due to the purchase of a server and refrigerator unit and the current-year recognition of \$380,167 of depreciation expense.
- October 2011 enrollment decreased by ten students to 1,021. Enrollment projections indicate a continued decline due in part to low area birth rates, a very limited rental market, and a tight but highly priced single-family home real estate market. This will continue to strain the unrestricted revenue limit funding.
- The District maintains sufficient reserves for a district its size. It meets the State required minimum reserve for economic uncertainty of 4% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2011-12, General Fund expenditures and other financing uses totaled \$8,322,058. At June 30, 2012, the District has available reserves of \$1,563,256 in the General Fund, which represents a reserve of 19%.

**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

*Government-Wide Financial Statements:* Comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

*Fund Financial Statements:* Focus on reporting the individual parts of the District's operations in more detail.

- Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
- Short- and long-term financial information about the activities of the District that operated like businesses are provided in the propriety fund statements.
- Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**OVERVIEW OF THE FINANCIAL STATEMENTS****Government-Wide Financial Statements**

The District as a whole is reported in the government-wide financial statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the statement of net assets. The statement of activities reports all of the current-year's revenues and expenses, regardless of when cash is received or paid. The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the statement of net assets and the statement of activities, we divide the District into two kinds of activities:

*Governmental Activities:* The basic services provided by the District, such as regular and special education, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contract and grants, and local revenues.

*Business-Type Activities:* The District does not provide any services that should be included in this category.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by state law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

### **Governmental Funds**

The General Fund and Special Reserve Capital Projects Fund are the only major governmental funds of the District. Governmental fund reporting focuses on how money flows into and out of the funds and balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

### **Proprietary Funds**

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both enterprise funds and internal service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required. Internal service funds are reported with the governmental funds. The District has no funds of this type.

### **Fiduciary Funds**

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

*Durham Unified  
School District***FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE****Net Assets**

The District's net assets were \$7,579,542 for the fiscal year ended June 30, 2012. Restricted net assets are reported separately if they are not available for day-to-day operations or their use is constrained to a particular purpose by statutes, rules or other entities with authority over the District. District net assets decreased \$705,165 during fiscal year 2011-12.

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and investments	\$ 3,532,438	\$ 3,030,696
Accounts receivable	1,197,163	1,201,847
Inventories and other assets	20,260	27,025
Capital assets - net of accumulated depreciation	4,693,830	4,328,460
<b>Total Assets</b>	<b>\$ 9,443,691</b>	<b>\$ 8,588,028</b>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 1,129,734	\$ 975,831
Long-term debt obligations	29,250	32,655
<b>Total Liabilities</b>	<b>\$ 1,158,984</b>	<b>\$ 1,008,486</b>
<b>NET ASSETS</b>		
Invested in capital assets	\$ 4,693,830	\$ 4,328,460
Restricted	564,354	190,553
Unrestricted	3,026,523	3,060,529
<b>Total Net Assets</b>	<b>\$ 8,284,707</b>	<b>\$ 7,579,542</b>

**Change in Net Assets**

The following table summarizes the change in net assets for the District. Expenses exceeded the District's revenue for the year by \$705,165. The District's expenses are primarily related to educating and caring for students and make up 79.6% of all expenses. Administrative activities of the District account for 6.5% of the total costs. The decrease in revenue is related to a decrease in enrollment as well as a one-time bus replacement grant received in 2010-11. No bus replacement grant was received in 2011-12. The increase in expenses is related to an increase in certificated staffing and maintenance expenditures.

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2012</b>
<b>REVENUES</b>		
<b>PROGRAM REVENUES</b>		
Charges for services	\$ 149,299	\$ 146,523
Operating grants and contributions	1,443,782	1,353,800
<b>GENERAL REVENUES</b>		
Property taxes	2,473,067	2,493,317
Federal and state aid not restricted	4,508,922	4,192,609
Interest and investment earnings	39,083	27,146
Interagency	120,004	118,364
Miscellaneous	72,608	65,138
<b>Total Revenues</b>	<b>8,806,765</b>	<b>8,396,897</b>
<b>EXPENSES</b>		
Instruction	5,140,307	5,384,581
Instruction - related services	694,497	760,890
Pupil services	1,024,824	1,100,211
General administration	600,714	589,412
Plant services	798,966	919,393
Ancillary services	134,793	140,202
Other outgo	219,933	207,373
<b>Total Expenses</b>	<b>8,614,034</b>	<b>9,102,062</b>
<b>Change in Net Assets</b>	<b>\$ 192,731</b>	<b>\$ (705,165)</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

*Durham Unified  
School District*

**GOVERNMENTAL ACTIVITIES**

	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>
Instruction	\$ 5,384,581	\$ 4,681,244
Instruction - related services	760,890	734,274
Pupil services	1,100,211	587,908
General administration	589,412	530,431
Plant services	919,393	852,672
Ancillary services	140,202	140,202
Other outgo	207,373	75,008
<b>Total</b>	<b>\$ 9,102,062</b>	<b>\$ 7,601,739</b>

The above table represents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's general revenues.

	<b>June 30, 2012</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From June 30, 2011</b>	<b>Percent Increase (Decrease)</b>
<b>REVENUES</b>				
<b>PROGRAM REVENUES</b>				
Charges for services	\$ 146,523	1.74%	\$ (2,776)	-1.86%
Operating grants and contributions	1,353,800	16.12%	(89,982)	-6.23%
<b>GENERAL REVENUES</b>				
Property taxes	2,493,317	29.69%	20,250	0.82%
Federal and state aid not restricted	4,192,609	49.93%	(316,313)	-7.02%
Interest and investment earnings	27,146	0.32%	(11,937)	-30.54%
Interagency	118,364	1.41%	(1,640)	-1.37%
Miscellaneous	65,138	0.78%	(7,470)	-10.29%
<b>Total Revenues</b>	<b>\$ 8,396,897</b>	<b>100%</b>	<b>\$ (409,868)</b>	<b>-4.65%</b>

	<b>June 30, 2012</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From June 30, 2011</b>	<b>Percent Increase (Decrease)</b>
<b>EXPENSES</b>				
Instruction	\$ 5,384,581	59.16%	\$ 244,274	4.75%
Instruction - related services	760,890	8.36%	66,393	9.56%
Pupil services	1,100,211	12.09%	75,387	7.36%
General administration	589,412	6.48%	(11,302)	-1.88%
Plant services	919,393	10.10%	120,427	15.07%
Ancillary services	140,202	1.54%	5,409	4.01%
Other outgo	207,373	2.28%	(12,560)	-5.71%
<b>Total Expenses</b>	<b>\$ 9,102,062</b>	<b>100%</b>	<b>\$ 488,028</b>	<b>5.67%</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

**Governmental Funds**

The District’s governmental funds reported a combined fund balance of \$3,273,518, a decrease of \$335,433 from the previous year. Following is a summary of the District’s fund balances.

	<b>Fund Balance</b>		<b>Increase (Decrease)</b>
	<b>2011</b>	<b>2012</b>	
General	\$ 2,329,161	\$ 2,051,431	\$ (277,730)
Cafeteria Special Revenue	16,525	7,855	(8,670)
Deferred Maintenance	333,054	266,190	(66,864)
Pupil Transportation Equipment	1,621	1,308	(313)
Capital Facilities	318,840	333,623	14,783
County School Facilities	60,735	61,306	571
Special Reserve Capital Projects	455,693	459,974	4,281
Foundation Permanent Trust	93,322	91,831	(1,491)
<b>Total</b>	<b>\$ 3,608,951</b>	<b>\$ 3,273,518</b>	<b>\$ (335,433)</b>

The General Fund decrease is due primarily to the use of one-time reserves for on-going expenditures.

The Cafeteria Special Revenue Fund decrease is due to the purchase of a new refrigerator.

The Deferred Maintenance Fund decrease is due to the addition of a classified position to support deferred maintenance needs.

The Capital Facilities Fund increase is due to the collection of developer impact fees.

The Special Reserve Capital Projects Fund increase is due to interest income.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on the Governor’s May Revise. Not later than 45 days after the state budget is adopted, school districts are required to make available for public review any revisions in revenues and expenditures that it makes to its budget to reflect the funding made available by the State budget. In addition, the District revises its budget at the first and second interim reporting periods. Budgeted revenues decreased by \$9,616 and budgeted expenditures increased by \$230,056. The budget amendments for the year typically fell into the following categories:

- Special education bill-back was more than anticipated at original budget.
- Additional certificated positions were approved by the board after the original budget was adopted.

**CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION**

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

**Capital Assets**

The District has invested \$12,203,641 in capital assets including land, buildings and improvements, and equipment and vehicles. The District purchased a new server and a new refrigerator unit in 2011-12.

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2012</b>
Land	\$ 153,080	\$ 153,080
Site improvements	4,001,725	4,001,725
Buildings	6,892,496	6,892,496
Equipment and vehicles	1,157,198	1,156,340
<b>Subtotals</b>	12,204,499	12,203,641
Less: Accumulated depreciation	7,510,669	7,875,181
<b>Total</b>	<b>\$ 4,693,830</b>	<b>\$ 4,328,460</b>

**Long-Term Debt**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2012</b>
Net OPEB obligation (deferred charge)	\$ (11,176)	\$ (10,219)
Compensated absences	29,250	32,655
<b>Total</b>	<b>\$ 18,074</b>	<b>\$ 22,436</b>

The District did not enter into any new debt-financing arrangements in 2011-12.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment projections indicate continued decline as large classes continue to graduate from the high school and smaller classes enter the elementary school.
- Health benefits, workers' compensation rates, and fuel and energy costs continue to escalate.
- Mandated programs such as special education, special education transportation, food service and routine restricted maintenance continue to experience costs far in excess of program revenues which negatively impact the District's ability to fund other instructional programs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Connie Cavanaugh  
Business Manager  
Durham Unified School District  
P.O. Box 300  
Durham, California 95938

## **Basic Financial Statements**

**STATEMENT OF NET ASSETS***Durham Unified  
School District*

June 30, 2012	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 3,030,696
Accounts receivable	47,049
Due from other governments	1,154,798
Inventories - supplies and materials	8,194
Prepaid expenses	8,612
Net OPEB deferred charge	10,219
Nondepreciated capital assets	153,080
Depreciated capital assets	12,050,561
Accumulated depreciation	(7,875,181)
<b>Total Assets</b>	<b>\$ 8,588,028</b>
<b>LIABILITIES</b>	
Overdraft in county treasury	\$ 2,168
Accounts payable and other current liabilities	883,615
Due to other governments	90,048
Long-term obligations:	
Due beyond one year	32,655
<b>Total Liabilities</b>	<b>\$ 1,008,486</b>
<b>NET ASSETS</b>	
Invested in capital assets	\$ 4,328,460
Restricted for educational programs	98,722
Restricted for other purposes	91,831
Unrestricted	3,060,529
<b>Total Net Assets</b>	<b>\$ 7,579,542</b>

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

**STATEMENT OF ACTIVITIES**

*Durham Unified School District*

Year Ended June 30, 2012	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>				
PRIMARY GOVERNMENT				
Governmental activities:				
Instruction	\$ 5,384,581	\$ 19,870	\$ 683,467	\$ (4,681,244)
Instruction - related services	760,890	175	26,441	(734,274)
Pupil services	1,100,211	96,153	416,150	(587,908)
Ancillary services	140,202	-	-	(140,202)
General administration	589,412	6,394	52,587	(530,431)
Plant services	919,393	6,030	60,691	(852,672)
Other outgo	207,373	17,901	114,464	(75,008)
<b>Total Governmental Activities</b>	<b>\$ 9,102,062</b>	<b>\$ 146,523</b>	<b>\$ 1,353,800</b>	<b>(7,601,739)</b>
<b>GENERAL REVENUES</b>				
				2,493,317
Property taxes - levied for general purposes				4,192,609
Federal and state aid not restricted to specific purposes				27,146
Unrestricted investment earnings				118,364
Interagency revenues				65,138
Miscellaneous				
<b>Total General Revenues, Special Items, and Transfers</b>				<b>6,896,574</b>
<b>Change in Net Assets</b>				<b>(705,165)</b>
<b>Net Assets - Beginning of Year</b>				<b>8,284,707</b>
<b>Net Assets - End of Year</b>				<b>\$ 7,579,542</b>

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

**BALANCE SHEET –  
GOVERNMENTAL FUNDS**

*Durham Unified School District*

June 30, 2012	<b>General Fund</b>	<b>Special Reserve Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 1,813,156	\$ 458,479	\$ 759,061	\$ 3,030,696
Accounts receivable	42,992	1,495	2,562	47,049
Due from other governments	1,129,423	-	25,375	1,154,798
Due from other funds	40,237	-	30,125	70,362
Inventories - supplies and materials	-	-	8,194	8,194
Prepaid expenditures	8,612	-	-	8,612
<b>Total Assets</b>	<b>\$ 3,034,420</b>	<b>\$ 459,974</b>	<b>\$ 825,317</b>	<b>\$ 4,319,711</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Overdraft in county treasury	\$ -	\$ -	\$ 2,168	\$ 2,168
Accounts payable and other current liabilities	862,816	-	20,799	883,615
Due to other governments	90,048	-	-	90,048
Due to other funds	30,125	-	40,237	70,362
<b>Total Liabilities</b>	<b>982,989</b>	<b>-</b>	<b>63,204</b>	<b>1,046,193</b>
<b>FUND BALANCES</b>				
Nonspendable	11,163	-	82,391	93,554
Restricted	98,722	-	16,642	115,364
Committed	-	-	266,190	266,190
Assigned	82,377	459,974	397,728	940,079
Unassigned	1,859,169	-	(838)	1,858,331
<b>Total Fund Balances</b>	<b>2,051,431</b>	<b>459,974</b>	<b>762,113</b>	<b>3,273,518</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,034,420</b>	<b>\$ 459,974</b>	<b>\$ 825,317</b>	<b>\$ 4,319,711</b>

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

**RECONCILIATION OF GOVERNMENTAL  
FUND BALANCES TO GOVERNMENT-WIDE  
NET ASSETS**

*Durham Unified  
School District*

June 30, 2012

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 3,273,518</b>
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:</p>	
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost	\$ 12,203,641
Accumulated depreciation	<u>(7,875,181)</u>
	4,328,460
<p>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:</p>	
Net OPEB obligation (deferred charge)	(10,219)
Compensated absences	<u>32,655</u>
	<u>(22,436)</u>
<b>Total Net Assets – Governmental Activities</b>	<b>\$ 7,579,542</b>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

*Durham Unified  
School District*

Year Ended June 30, 2012	<b>General Fund</b>	<b>Special Reserve Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 2,493,318	\$ -	\$ -	\$ 2,493,318
State revenue	4,607,325	-	17,800	4,625,125
Federal revenue	614,357	-	208,904	823,261
Interest and investment earnings	17,231	4,281	5,774	27,286
Other local revenue	312,098	-	115,810	427,908
<b>Total Revenues</b>	<b>8,044,329</b>	<b>4,281</b>	<b>348,288</b>	<b>8,396,898</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	5,107,371	-	-	5,107,371
Instruction - related services	746,895	-	2,335	749,230
Pupil services	701,865	-	338,255	1,040,120
Ancillary services	140,202	-	-	140,202
General administration	568,132	-	16,437	584,569
Plant services	809,211	-	94,255	903,466
Transfers between agencies	207,373	-	-	207,373
<b>Total Expenditures</b>	<b>8,281,049</b>	<b>-</b>	<b>451,282</b>	<b>8,732,331</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(236,720)</b>	<b>4,281</b>	<b>(102,994)</b>	<b>(335,433)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	-	41,010	41,010
Interfund transfers out	(41,010)	-	-	(41,010)
<b>Total Other Financing Sources (Uses)</b>	<b>(41,010)</b>	<b>-</b>	<b>41,010</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(277,730)</b>	<b>4,281</b>	<b>(61,984)</b>	<b>(335,433)</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,329,161</b>	<b>455,693</b>	<b>824,097</b>	<b>3,608,951</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,051,431</b>	<b>\$ 459,974</b>	<b>\$ 762,113</b>	<b>\$ 3,273,518</b>

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

**RECONCILIATION OF NET CHANGE IN  
FUND BALANCES TO CHANGE IN  
NET ASSETS**

*Durham Unified  
School District*

June 30, 2012

<b>Total Net Change in Fund Balances – Governmental Funds</b>		\$ (335,433)
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>		
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
Expenditures for capital outlay	\$ 14,797	
Depreciation expense	<u>(380,167)</u>	(365,370)
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>		
		(3,405)
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>		
		<u>(957)</u>
<b>Change in Net Assets of Governmental Activities</b>		\$ (705,165)

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

**STATEMENT OF FIDUCIARY NET ASSETS –  
FIDUCIARY FUNDS**

*Durham Unified  
School District*

June 30, 2012	<b>Foundation Private-Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and investments	\$ 258,158	\$ 145,763
Accounts receivable - interest	2,700	224
Accounts receivable - other	637	-
<b>Total Assets</b>	<b>\$ 261,495</b>	<b>\$ 145,987</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 15,505	\$ -
Due to student groups	-	145,987
<b>Total Liabilities</b>	<b>\$ 15,505</b>	<b>\$ 145,987</b>
<b>NET ASSETS</b>		
<b>Held in Trust for Scholarships</b>	<b>\$ 245,990</b>	

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

**STATEMENT OF CHANGES IN  
FIDUCIARY NET ASSETS –  
FIDUCIARY FUND**

*Durham Unified  
School District*

Year Ended June 30, 2012	<b>Foundation Private-Purpose Trust</b>
<b>ADDITIONS</b>	
Interest and investment earnings	\$ 2,508
Donations	6,475
<b>Total Additions</b>	<b>8,983</b>
<b>DEDUCTIONS</b>	
Scholarships awarded	16,205
<b>Change in Net Assets</b>	<b>(7,222)</b>
<b>Net Assets - Beginning of Year</b>	<b>253,212</b>
<b>Net Assets - End of Year</b>	<b>\$ 245,990</b>

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

**1. SIGNIFICANT ACCOUNTING POLICIES****Accounting Policies**

The District is governed by an elected five member board. The District operates one elementary school, one intermediate school, and one high school in Durham, California.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

**Basis of Presentation****Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General Fund** 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.

**Special Revenue Funds** Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38090-38093).
2. Deferred Maintenance Fund is used to account separately for state apportionments and District contributions for deferred maintenance purposes. Expenditures in this fund are for major repairs or replacements as identified in the plan approved by the State Allocation Board (*California Education Code*, Sections 17582-17587).
3. Pupil Transportation Equipment Fund is used to account separately for state and local revenues received for the acquisition, rehabilitation, or replacement of equipment used to transport students (*California Education Code*, Section 41852[b]).

**Capital Projects Funds** Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).
2. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code*, Section 17070).
3. Special Reserve Fund is used to account for resources designated for capital outlay projects.

**Permanent Funds**

**Foundation Permanent Funds** Funds that are used to account for resources received from gifts or bequests pursuant to *California Education Code*, Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's own programs. The Foundation Permanent Fund is used to account separately for gifts or bequests that support the Durham High School Music and Library Programs.

**Fiduciary Funds**

**Private-Purpose Trust Funds** Funds that are used to account for assets held by the District as trustee pursuant to formal agreements with donors and under which neither principal nor income may be used for purposes that support the District's own programs. The Foundation Private-Purpose Trust Fund is used to account separately for gifts or bequests that provide scholarships to students of the District.

**Agency Funds** Funds that are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts.

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

- Major Governmental Funds
  - General Fund
  - Special Reserve Capital Projects Fund

- Nonmajor Governmental Funds
  - Cafeteria Special Revenue Fund
  - Deferred Maintenance Fund
  - Pupil Transportation Equipment Fund
  - Capital Facilities Fund
  - County School Facilities Fund
  - Foundation Permanent Fund

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide statement of net assets and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government 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 year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information.

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

### **Cash, Cash Equivalents, and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Butte County Treasury as part of the common investment pool. The County is restricted by *California 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. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2012, the fair value of the County pool is 100.87% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2012, was \$26,651. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2012, was \$28,297.

**Accounts Receivable and Due From Other Governments**

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2012. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2012. At June 30, 2012, no allowance for doubtful accounts was deemed necessary.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

**Inventories and Prepaid Expenses**

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	20-50
Portable classrooms	20-25
Site improvements	20-30
Equipment	5-20
Vehicles	8

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Deferred Revenue**

Cash received for federal and state special projects and programs is 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 exceeds qualified expenditures.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

**Compensated Absences**

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**Equity Classifications****Government-Wide Statements**

Equity is classified as net assets and displayed in three components:

*Invested in Capital Assets – Net of Related Debt:* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Assets:* Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

*Unrestricted Net Assets:* Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets; net of related debt.”

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

*Nonspendable Fund Balance:* Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted Fund Balance:* Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, or the laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

*Committed Fund Balance:* Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District's Board of Trustees.

*Assigned Fund Balance:* Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

*Unassigned Fund Balance:* Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

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 no less than 8% of total General Fund operating expenditures and other financing uses. In the event the reserve falls below the established minimum level, it shall be recovered at a rate of at least 1% of total General Fund operating expenditures and other financing uses each year.

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

**Revenue Limit and Property Tax**

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

Butte 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. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

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.

Property taxes are recorded as local revenue limit sources by the District. California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to 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.

### **Revenue – Nonexchange Transactions**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. 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 year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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.

### **Expenditures and Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character

Current (further classified by function)

Debt service

Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2012:

	<u>Maturities</u>	<u>Fair Value</u>
DEPOSITS (1)		\$ 140,235
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool (net of overdraft)	30.4 months average	<u>3,292,214</u>
<b>Total Cash and Investments</b>		3,432,449
Less: Trust fund cash and investments		258,158
Less: Agency fund cash and investments		<u>145,763</u>
<b>Total Cash and Investments Per Government-Wide Statement of Net Assets (Net of Overdraft in County Treasury)</b>		<u>\$ 3,028,528</u>

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Credit Risk – Investments**

*California Government Code*, Section 53601 limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the county investment pool is unrated.

**Concentration of Credit Risk – Investments**

*California Government Code*, Section 53635 places the following concentration limits on the county investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

*California Government Code*, Section 53601 places the following concentration limits on the District’s investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers’ acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2012, consists of the following:

	<b>General Fund</b>	<b>Special Reserve Capital Projects Fund</b>	<b>Other Governmental Funds</b>
Interest	\$ 7,627	\$ 1,495	\$ 2,499
Other	35,365	-	63
<b>Total Accounts Receivable</b>	<b>\$ 42,992</b>	<b>\$ 1,495</b>	<b>\$ 2,562</b>

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2012, consists of the following:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Due from federal government	\$ 48,154	\$ 23,200
Due from state government	1,075,583	2,175
Due from local governments	5,686	-
<b>Total Due From Other Governments</b>	<b>\$ 1,129,423</b>	<b>\$ 25,375</b>

**5. INTERFUND TRANSACTIONS AND BALANCES**

**Interfund Receivables/Payables**

Interfund receivable and payable balances in the fund financial statements are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amounts</u>
General	Cafeteria Special Revenue	\$ 37,331
General	Capital Facilities	360
General	Deferred Maintenance	2,546
Cafeteria Special Revenue	General	30,125
<b>Total</b>		<b>\$ 70,362</b>

The specific purposes of the interfund balances are as follows:

To reimburse the General Fund for 2011-12 expenditures incurred by the Cafeteria Special Revenue Fund which were disbursed from the General Fund;

To reimburse the General Fund for direct costs incurred by the General Fund on behalf of the Capital Facilities Fund;

To reimburse the General Fund for 2011-12 expenditures incurred by the Deferred Maintenance Fund which were disbursed from the General Fund; and

To transfer monies to the Cafeteria Special Revenue Fund for General Fund support of the Cafeteria Special Revenue Fund.

**Interfund Transfers**

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

Interfund transfers are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General	Deferred Maintenance	\$ 11,010
General	Cafeterial Special Revenue	30,000
<b>Total</b>		<b>\$ 41,010</b>

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no transfers that were not routine or inconsistent with the activities of the funds making the transfer.

**6. CAPITAL ASSETS**

Capital asset activity is as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>GOVERNMENTAL ACTIVITIES</b>				
NONDEPRECIATED CAPITAL ASSETS				
Land	\$ 153,080	\$ -	\$ -	\$ 153,080
DEPRECIATED CAPITAL ASSETS				
Buildings	6,892,496	-	-	6,892,496
Site improvements	4,001,725	-	-	4,001,725
Equipment and vehicles	1,157,198	14,797	15,655	1,156,340
<b>Total Depreciated Capital Assets</b>	<b>12,051,419</b>	<b>14,797</b>	<b>15,655</b>	<b>12,050,561</b>
<b>Totals at Historical Cost</b>	<b>12,204,499</b>	<b>14,797</b>	<b>15,655</b>	<b>12,203,641</b>
LESS: ACCUMULATED DEPRECIATION				
Buildings	4,190,882	177,895	-	4,368,777
Site improvements	2,490,803	149,383	-	2,640,186
Equipment and vehicles	828,984	52,889	15,655	866,218
<b>Total Accumulated Depreciation</b>	<b>7,510,669</b>	<b>380,167</b>	<b>15,655</b>	<b>7,875,181</b>
<b>Total Depreciated Capital Assets - Net</b>	<b>4,540,750</b>	<b>(365,370)</b>	<b>-</b>	<b>4,175,380</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 4,693,830</b>	<b>\$ (365,370)</b>	<b>\$ -</b>	<b>\$ 4,328,460</b>

Depreciation expense was charged to governmental activities as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 276,364
Instruction-related services	18,890
Pupil services	67,616
General administration	4,988
Plant services	12,309
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 380,167</b>

**7. ACCOUNTS PAYABLE**

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Vendors	\$ 120,223	\$ 620
Salaries and benefits	742,593	20,179
<b>Total Accounts Payable</b>	<b>\$ 862,816</b>	<b>\$ 20,799</b>

**8. DUE TO OTHER GOVERNMENTS**

Due to other governments at June 30, 2012, consists of the following:

	<b>General Fund</b>
Due to state government	\$ 90,048

**9. OPERATING LEASES**

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

	<b>Lease Payments</b>
2013	\$ 16,717
2014	5,481
<b>Total</b>	<b>\$ 22,198</b>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. Rent expenditures were \$16,717 for the year ended June 30, 2012.

**10. CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt:

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>	<b>Amounts Due Within One Year</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated absences	\$ 29,250	\$ 3,405	\$ -	\$ 32,655	\$ -
Net OPEB obligation (deferred charge)	(11,176)	957	-	(10,219)	-
<b>Totals</b>	<b>\$ 18,074</b>	<b>\$ 4,362</b>	<b>\$ -</b>	<b>\$ 22,436</b>	<b>\$ -</b>

**11. FUND BALANCES COMPONENTS**

Fund balances as of June 30, 2012, are composed of the following:

	General Fund	Special Reserve Capital Projects Fund	Other Governmental Funds
<b>NONSPENDABLE</b>			
Reserved for revolving cash	\$ 2,551	\$ -	\$ 500
Reserved for stores inventories	-	-	8,193
Reserved for principal portion of permanent fund	-	-	73,698
Reserved for prepaid expenditures	8,612	-	-
<b>Total Nonspendable</b>	<b>\$ 11,163</b>	<b>\$ -</b>	<b>\$ 82,391</b>
<b>RESTRICTED</b>			
Restricted for music and library programs	\$ -	\$ -	\$ 18,133
Restricted for federal and state categoricals	98,722	-	-
<b>Total Restricted</b>	<b>\$ 98,722</b>	<b>\$ -</b>	<b>\$ 18,133</b>
<b>COMMITTED</b>			
Committed for deferred maintenance	\$ -	\$ -	\$ 266,190
<b>ASSIGNED</b>			
Assigned for site budget carryover	\$ 35,923	\$ -	\$ -
Assigned for Durham High School technology	6,907	-	-
Assigned for staff development	5,517	-	-
Assigned for Medi-Cal administrative activities	21,002	-	-
Assigned for transportation equipment	-	-	1,308
Assigned for capital projects	-	459,974	394,929
Assigned for other designations	13,028	-	-
<b>Total Assigned</b>	<b>\$ 82,377</b>	<b>\$ 459,974</b>	<b>\$ 396,237</b>
<b>UNASSIGNED</b>			
Designated for economic uncertainties	\$ 961,678	\$ -	\$ -
Unassigned	897,491	-	(838)
<b>Total Unassigned</b>	<b>\$ 1,859,169</b>	<b>\$ -</b>	<b>\$ (838)</b>

**12. JOINT POWERS AUTHORITIES**

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Program (BSSP), North Valley Schools Insurance Group (NVSIG), and Bay Area Schools Insurance Cooperative (BASIC). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

**13. COMMITMENTS AND CONTINGENCIES****Federal and State Allowances, Awards, and Grants**

The District has received federal and state 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.

**14. RISK MANAGEMENT**

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

**15. EMPLOYEE RETIREMENT SYSTEMS**

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

**California State Teachers' Retirement System****Plan Description**

The District contributes to CalSTRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

**Funding Policy**

Active plan members are required to contribute 8.00% of their salary. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$343,777, \$328,138, and \$330,492, respectively, and equaled 100% of the required contributions for each year.

**California Public Employees Retirement System****Plan Description**

The District contributes to the School Employer Pool under 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 CalPERS, 400 Q Street, Sacramento, California 95811.

**Funding Policy**

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2011-12 fiscal year was 10.923%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$130,475, \$122,342, and \$121,069, respectively, and equaled 100% of the required contributions for each year.

**16. EARLY RETIREMENT INCENTIVE PROGRAM**

The District did not enter into any early retirement incentive agreements during 2011-12, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

**17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS****Plan Description**

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit healthcare plan administered by the District. The District provides postemployment health care benefits to all certificated employees who retire from the District on or after attaining the age of 55 with at least 12 years of service in the District immediately prior to retirement. The certificated retiree may choose from five to ten years of benefits or a cash payment. The District will contribute a maximum of \$720 per month toward continuation of health insurance coverage for a five-year period and provides a reduced amount for each additional year of coverage to a maximum of \$360 per month for ten years. The cash payment consists of four annual payments of \$8,700 payable of July 31 of each year commencing with July 31 immediately following the retirement date.

The District also provides postemployment health care benefits to all classified employees who retire from the District on or after obtaining the age of 55 and under the age of 65 with at least 15 years of services prior to retirement. The District will contribute a maximum of \$720 per month toward continuation of health insurance coverage for a seven-year period and provides a reduced amount for each additional year of coverage to a maximum of \$505 per month for ten years.

At June 30, 2012, 18 retirees met these eligibility requirements and an estimated 103 participants will be eligible in future years.

**Funding Policy**

The District’s agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District’s Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected.

**Annual Other Postemployment Benefit (OPEB) Cost and Net Obligation**

For the year ended June 30, 2012, the District’s annual OPEB cost is calculated based on the annual required contribution for the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation:

Annual required contribution	\$ 115,867
Interest on net OPEB obligation	(559)
Adjustment to annual required contribution	727
<b>Annual OPEB Cost</b>	<b>116,035</b>
Contributions	115,078
<b>Change in Net OPEB Obligation</b>	<b>957</b>
<b>Net OPEB Obligation (Deferred Charge) - Beginning of Year</b>	<b>(11,176)</b>
<b>Net OPEB Obligation (Deferred Charge) - End of Year</b>	<b>\$ (10,219)</b>

The District’s annual OPEB cost (benefit), the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (deferred charge) for the year ended June 30, 2012, and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Deferred Charge)</u>
June 30, 2010	\$ 115,867	\$ 118,098	101.93%	\$ (2,231)
June 30, 2011	\$ 115,900	\$ 124,845	107.72%	\$ (11,176)
June 30, 2012	\$ 116,035	\$ 115,078	99.18%	\$ (10,219)

**Funded Status and Funding Progress**

The funded status of the plan as of the actuarial valuation date below, was as follows:

	July 1, 2009	July 1, 2012
Actuarial accrued liability (AAL)	\$ 1,083,391	\$ 1,187,392
Actuarial value of plan assets	-	-
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 1,083,391</b>	<b>\$ 1,187,392</b>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 5,334,936	\$ 5,291,677
<b>UAAL as a Percentage of Covered Payroll</b>	<b>20.31%</b>	<b>22.44%</b>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the District and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an annual health care cost trend rates of 7.00% initially, reduced by decrements to an ultimate rate of 5.00% after three years. Both rates include a 5.00% inflation assumption. The District’s unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2012, was 27 years.

**18. FUTURE GASB IMPLEMENTATION**

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, to incorporate into GASB’s authoritative literature certain accounting and financial reporting guidance. This statement will improve financial reporting by contributing to GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so they derive from a single source. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, to provide reporting guidance for deferred outflows and inflows of resources. The District’s management has not yet determined the impact that implementation of these standards, which is required on July 1, 2012, will have on the District’s financial statements, if any.

**Required Supplementary Information**

**BUDGETARY COMPARISON SCHEDULE –  
GENERAL FUND**

*Durham Unified  
School District*

Year Ended June 30, 2012	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 2,367,812	\$ 2,428,615	\$ 2,493,318	\$ 64,703
State revenue	4,727,698	4,664,865	4,607,325	(57,540)
Federal revenue	630,690	614,472	614,357	(115)
Interest and investment earnings	41,000	34,500	17,231	(17,269)
Other local revenue	289,034	304,166	312,098	7,932
<b>Total Revenues</b>	<b>8,056,234</b>	<b>8,046,618</b>	<b>8,044,329</b>	<b>(2,289)</b>
<b>EXPENDITURES</b>				
Certificated salaries	4,084,596	4,087,979	4,198,873	(110,894)
Classified salaries	1,138,657	1,150,633	1,220,708	(70,075)
Employee benefits	1,717,760	1,773,747	1,773,205	542
Books and supplies	395,058	530,154	393,279	136,875
Services and other operating	562,457	551,867	496,609	55,258
Capital outlay	-	-	7,078	(7,078)
Other outgo	176,459	210,663	191,297	19,366
<b>Total Expenditures</b>	<b>8,074,987</b>	<b>8,305,043</b>	<b>8,281,049</b>	<b>23,994</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(18,753)</b>	<b>(258,425)</b>	<b>(236,720)</b>	<b>21,705</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,000)	(21,010)	(41,010)	(20,000)
<b>Net Change in Fund Balances</b>	<b>(33,753)</b>	<b>(279,435)</b>	<b>(277,730)</b>	<b>1,705</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,329,161</b>	<b>2,329,161</b>	<b>2,329,161</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,295,408</b>	<b>\$ 2,049,726</b>	<b>\$ 2,051,431</b>	<b>\$ 1,705</b>

See the accompanying notes to this budgetary comparison schedule.

**NOTES TO THE BUDGETARY  
COMPARISON SCHEDULE**

June 30, 2012

*Durham Unified  
School District*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's Governing Board annually adopts a budget for the General Fund of the District. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2012, expenditures exceeded appropriations by the following amounts:

	<b>General Fund</b>
Certificated salaries	\$ 110,894
Classified salaries	\$ 70,075
Capital outlay	\$ 7,078

These excess expenditures were offset by unexpended appropriations in other categories.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

**LOCAL EDUCATION AGENCY ORGANIZATION  
STRUCTURE**

June 30, 2012

*Durham Unified  
School District*

The Durham Unified School District is located in Butte County and was established in 1922. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, one intermediate school, and one high school.

**GOVERNING BOARD**

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Bob Bultema	President	2012
Robert Kermen	Clerk	2014
Greg Johnson	Member	2012
Mark Kimmelshue	Member	2012
Lance Smith	Member	2014

**ADMINISTRATION**

Mary L. von Rotz Sakuma  
Superintendent

Connie Cavanaugh  
Business Manager

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

June 30, 2012

*Durham Unified  
School District*

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
<b>ELEMENTARY</b>				
Kindergarten	60	60	60	60
Grades 1 through 3	204	204	204	204
Grades 4 through 6	193	193	193	193
Grades 7 and 8	161	161	161	161
Special education - special day class	20	20	20	20
<b>Elementary Totals</b>	<b>638</b>	<b>638</b>	<b>638</b>	<b>638</b>
<b>HIGH SCHOOL</b>				
Grades 9 through 12	319	319	319	319
Special education - special day class	15	15	15	15
<b>High School Totals</b>	<b>334</b>	<b>334</b>	<b>334</b>	<b>334</b>
<b>ADA Totals</b>	<b>972</b>	<b>972</b>	<b>972</b>	<b>972</b>

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF INSTRUCTIONAL TIME**

Year Ended June 30, 2012

*Durham Unified School District*

	<b>1986-87 Minutes Requirement</b>	<b>1982-83 Actual Minutes</b>	<b>2011-12 Actual Minutes</b>	<b>Traditional Calendar Days</b>	<b>Multitrack Calendar Days</b>	<b>Status</b>
Kindergarten	36,000	36,000	36,000	180	N/A	Complied
Grade 1	50,400	52,200	54,740	180	N/A	Complied
Grade 2	50,400	52,200	54,600	180	N/A	Complied
Grade 3	50,400	52,200	54,600	180	N/A	Complied
Grade 4	54,000	55,260	56,470	180	N/A	Complied
Grade 5	54,000	55,260	56,470	180	N/A	Complied
Grade 6	54,000	55,260	62,415	180	N/A	Complied
Grade 7	54,000	55,260	62,415	180	N/A	Complied
Grade 8	54,000	55,260	62,415	180	N/A	Complied
Grade 9	64,800	64,800	73,750	180	N/A	Complied
Grade 10	64,800	64,800	73,750	180	N/A	Complied
Grade 11	64,800	64,800	73,750	180	N/A	Complied
Grade 12	64,800	64,800	73,750	180	N/A	Complied

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

Year Ended June 30, 2012

*Durham Unified  
School District*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>FEDERAL PROGRAMS</b>			
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
NCLB - Title I, Part A, Basic Grants	84.010	14329	\$ 102,497
Special Education Cluster			
Special Education - IDEA Basic Local Assistance	84.027	13379	95,443
Special Education - ARRA IDEA Basic Local Assistance	84.391	15003	17,352
<b>Total Special Education Cluster</b>			112,795
ARRA - Education Jobs Fund	84.410	25152	215,638
Vocational Programs - Vocational and Applied Technical			
Secondary IC, Section 131	84.048	14894	4,213
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	45,066
NCLB - Title II, Part D, Enhancing Education Through Technology	84.318X	14334	934
NCLB - ARRA Title II, Part D, Enhancing Education Through Technology	84.386	15019	1,661
NCLB - Title III, Limited English Proficiency Student Program	84.365	14346	20,340
<b>Total U.S. Department of Education</b>			503,144
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	60,484
National School Lunch	10.555	13391	131,030
<b>Total Child Nutrition Cluster</b>			191,514
Pass Through Butte County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	4,008
<b>Total U.S. Department of Agriculture</b>			195,522
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid Cluster			
Passed Through Glenn County Office of Education			
Medi-Cal Administrative Activities (MAA)	93.778	10060	98,501
Passed Through State of California			
Medical Assistance Program (Medi-Cal)	93.778	10013	8,704
<b>Total U.S. Department of Health and Human Services</b>			107,205
<b>Total Federal Programs</b>			805,871
NONMONETARY ASSISTANCE			
Food Donation	10.550		17,390
<b>Total Expenditures of Federal Awards</b>			\$ 823,261

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF FINANCIAL TRENDS  
AND ANALYSIS**

*Durham Unified  
School District*

<u>Year Ended June 30</u>	<u>(Budget) 2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>GENERAL FUND</b>				
<b>Revenues and Other Financial Sources</b>	\$ 7,337,068	\$ 8,044,329	\$ 8,311,601	\$ 8,332,629
Expenditures	8,480,328	8,281,049	7,932,876	8,013,550
Other uses and transfers out	31,010	41,010	15,200	10,000
<b>Total Outgo</b>	<u>8,511,338</u>	<u>8,322,059</u>	<u>7,948,076</u>	<u>8,023,550</u>
<b>Change in Fund Balance</b>	<u>\$ (1,174,270)</u>	<u>\$ (277,730)</u>	<u>\$ 363,525</u>	<u>\$ 309,079</u>
<b>Ending Fund Balance</b>	<u>877,161</u>	<u>2,051,431</u>	<u>2,329,161</u>	<u>1,965,636</u>
<b>Available Reserves</b>	<u>819,287</u>	<u>1,859,169</u>	<u>2,144,479</u>	<u>1,888,554</u>
<b>Designated for Economic Uncertainties</b>	<u>819,287</u>	<u>961,678</u>	<u>527,372</u>	<u>530,741</u>
<b>Undesignated Fund Balance</b>	<u>-</u>	<u>897,491</u>	<u>1,617,107</u>	<u>1,357,813</u>
<b>Available Reserves as a Percentage of Total Outgo</b>	<u>10%</u>	<u>22%</u>	<u>27%</u>	<u>24%</u>
<b>Total Long-Term Debt</b>	<u>32,655</u>	<u>32,655</u>	<u>29,250</u>	<u>27,449</u>
<b>Average Daily Attendance at P-2</b>	<u>943</u>	<u>973</u>	<u>987</u>	<u>1,019</u>

The General Fund balance has increased by \$85,795 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$1,174,270 (57.2%). For a district this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years and anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long-term debt has increased by \$5,206 over the past two years.

Average daily attendance has decreased by 46 over the past two years. The District anticipates ADA to decline by 30 during fiscal year 2012-13.

*See the accompanying note to the other supplementary information.*

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS**

*Durham Unified  
School District*

Year Ended June 30, 2012	<b>Foundation Private-Purpose Trust</b>
<b>June 30, 2012 - Annual Financial and Budget Report Fund Balances</b>	\$ 249,043
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES	
Overstatement of cash and investments	(3,053)
<b>June 30, 2012 - Audited Financial Statement Fund Balances</b>	<b>\$ 245,990</b>

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF CHARTER SCHOOLS**

Year Ended June 30, 2012

*Durham Unified  
School District*

The District is not the sponsoring local educational agency for any charter schools.

*See the accompanying note to the other supplementary information.*

**NOTE TO THE OTHER SUPPLEMENTARY  
INFORMATION**

June 30, 2012

*Durham Unified  
School District*

**PURPOSE OF SCHEDULES**

**Schedule of Average Daily Attendance**

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.

**Schedule of Instructional Time**

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

**Schedule of Expenditures of Federal Awards**

This schedule is prepared on the modified accrual basis of accounting. Nonmonetary assistance is reported in the schedule at the fair market value of the food commodities received and disbursed. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements.

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

**OTHER REPORTS SECTION**



MATSON  
& ISOM

**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***

To the Board of Trustees  
Durham Unified School District  
Durham, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Durham Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 or other matters that are required to be reported under *Government Auditing Standards*.

**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***

Continued

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, 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.

*Matson and Isom*

December 10, 2012  
Chico, California



MATSON  
& ISOM

**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**

To the Board of Trustees  
Durham Unified School District  
Durham, California

**Compliance**

We have audited the compliance of Durham Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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, which could have a direct and material effect on a major federal program, 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 our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of the 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 the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**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**

Continued

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

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

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, 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.

*Matson and Isom*

December 10, 2012  
Chico, California



MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Durham Unified School District  
Durham, California

We have audited the Durham Unified School District's (the District) compliance with the types of state compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, published by the Education Audit Appeals Panel, for the year ended June 30, 2012. The applicable state compliance requirements are identified in the table below. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, published by the Education Audit Appeals Panel. Those standards and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe 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.

Description	Procedures in Audit Guide	Procedures Performed
Attendance reporting	6	Yes
Teacher certification and misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	No
Instructional time:		
School districts	6	Yes
County offices of education	3	Not applicable
Instructional materials:		
General requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive program	4	No
Gann limit calculation	1	Yes
School accountability report card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
Juvenile court schools	8	Not applicable
Exclusion of pupils - pertussis immunization	2	Yes

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

Description	Procedures in Audit Guide	Procedures Performed
Class size reduction (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No
Districts or charter schools with only one school serving kindergarten through grade 3	4	Not applicable
After school education and safety program (including charter schools):		
General requirements	4	No
After school	5	No
Before school	6	No
Charter schools:		
Contemporaneous records of attendance	3	No
Mode of instruction	1	No
Nonclassroom-based instruction/independent study	15	No
Determination of funding for nonclassroom-based instruction	3	No
Annual instructional minutes - classroom based	4	No

Since the District did not participate in the following programs during 2011-12, all steps related to them were not performed:

- Continuation education
- Early retirement incentive program
- Class size reduction option two classes
- After school education and safety program

Since the District did not sponsor any charter schools during 2011-12, all steps related to the following were not performed:

- Contemporaneous records of attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes - classroom based

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, 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.

*Matson and Isom*

December 10, 2012  
Chico, California

**FINDINGS AND QUESTIONED COSTS SECTION**

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2012

*Durham Unified  
School District*

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major program	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs	
CFDA No.    84.410                    ARRA Education Jobs Fund	
CFDA No.    93.778                    Medi-Cal Administrative Activities (MAA)	
Threshold for distinguishing types A and B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for state programs	Unqualified

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2012

*Durham Unified  
School District*

**SECTION II  
FINANCIAL STATEMENTS AUDIT**

None.

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

None.

Not applicable: there are no current-year findings related to federal awards.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2012

*Durham Unified  
School District*

**INTERNAL CONTROL (Student Body – Durham Intermediate School)**

300000 (11-1)

**Significant Deficiency**

**Condition**

Four of five cash receipts tested were not deposited in a timely manner.

**Criteria**

Internal controls should be in place to provide for all student body cash and checks being deposited on a weekly basis.

**Effect**

Without strengthening internal controls over cash receipts student body assets may not be properly safeguarded.

***Recommendation***

Procedures should be implemented to strengthen internal controls over student body cash receipts.

***Current Status***

Fully implemented.