



Annual Financial Statements  
June 30, 2019

# Madera Unified School District

# MADERA UNIFIED SCHOOL DISTRICT

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# MADERA UNIFIED SCHOOL DISTRICT

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## ***FINANCIAL SECTION***



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Madera Unified School District  
Madera, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, budgetary comparison schedule on page 74, schedule of changes in the District's total OPEB liability and related ratios on page 75, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 76, schedule of the District's proportionate share of the net pension liability on page 77, and the schedule of District contributions on page 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madera Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

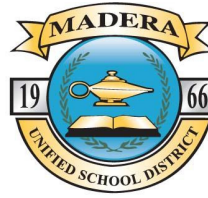
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, on our consideration of the Madera Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Madera Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madera Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
December 4, 2019



## **MANAGEMENT DISCUSSION AND ANALYSIS**

This section of Madera Unified School District (MUSD) annual financial report presents the District's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the fiscal year ended June 30, 2018.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

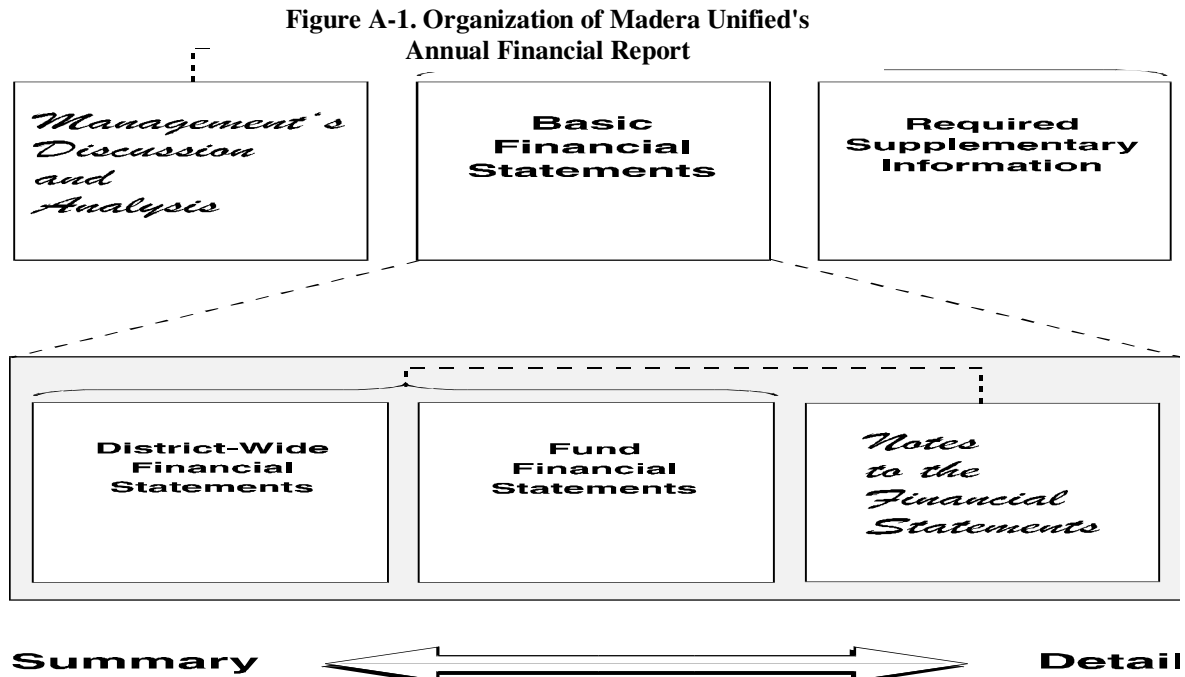


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2. Major Features of the District-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>District-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities
Required financial statements	<ul style="list-style-type: none"> <li>•statement of net position</li> <li>•statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>•balance sheet</li> <li>•statement of revenues, expenditures &amp; changes in fund balances</li> <li>•reconciliation to government-wide financial statements</li> </ul>	<ul style="list-style-type: none"> <li>•statement of fiduciary net position</li> <li>•statement of changes in fiduciary net position</li> </ul>

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>District-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expense during year, regardless of when cash is received or paid

### DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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In the district-wide financial statements the District's activities are combined into one category:

- Governmental activities - The District's basic services are included here, such as regular and special education, transportation, food services, adult education and administration. Property taxes, state formula aid and fees charged, finance most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The District establishes other funds to control and manage money for particular purposes (like food services and adult education) or to show that it is properly using certain revenues.

The District has two kinds of fund types:

- Governmental funds - The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net position.** The District's combined net position was \$101.0 million on June 30, 2019, increasing by \$17.5 million (see Table A-1).

**Table A-1**  
**Net Position**  
**(in millions of dollars)**

	Governmental Activities		
	2019	2018	Change
<b>Assets</b>			
Current and Other Assets	\$ 249.8	\$ 193.5	\$ 56.3
Capital Assets	345.8	252.7	93.1
<b>Total Assets</b>	<b>595.6</b>	<b>446.2</b>	<b>149.4</b>
<b>Deferred Outflows of Resources</b>	<b>80.9</b>	<b>73.2</b>	<b>7.7</b>
<b>Liabilities</b>			
Current Liabilities	36.9	26.3	10.6
Long-Term Obligations Outstanding	300.5	192.8	107.7
Net Pension Liability	228.3	209.3	19.0
<b>Total Liabilities</b>	<b>565.7</b>	<b>428.4</b>	<b>137.3</b>
<b>Deferred Inflows of Resources</b>	<b>9.8</b>	<b>7.5</b>	<b>2.3</b>
<b>Net Position</b>			
Net Investment in Capital Assets	137.3	145.8	(8.5)
Restricted	31.5	26.3	5.2
Unrestricted	(67.8)	(88.6)	20.8
<b>Total Net Position</b>	<b>\$ 101.0</b>	<b>\$ 83.5</b>	<b>\$ 17.5</b>

**Changes in net position.** The District's total governmental revenues were \$304.0 million (see Table A-2). Property taxes and state aid formula accounted for most of the District's revenue, with federal and state unrestricted aid contributing about \$199.6 million and property taxes contributing about \$35.3 million. Another \$58.2 million came from categorical programs, \$0.4 million came from fees charged for services, and \$8.3 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$286.5 million. The District's expenses are primarily related to educating and caring for students (80 percent). The purely administrative activities of the District accounted for just five percent of the total cost.

Total revenues surpassed expenses, increasing net position \$17.5 million over last year. Governmental activities contributed to the District's healthier fiscal status.

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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**Table A-2**  
**Changes in Net Position**  
**(in millions of dollars)**

	Governmental Activities		
	2019	2018	Change
<b>Revenues</b>			
General Revenues:			
Federal and State Aid Formula	\$ 199.6	\$ 184.0	\$ 15.6
Property Taxes	35.3	33.1	2.2
Other	8.3	9.1	(0.8)
Program Revenues:			
Charges for Services	0.4	0.9	(0.5)
Operating grants and contributions	58.2	49.5	8.7
Capital grants and contributions	2.2	-	2.2
<b>Total Revenues</b>	<u>304.0</u>	<u>276.6</u>	<u>27.4</u>
<b>Expenses</b>			
Instruction Related	189.3	181.1	8.2
Pupil Services	39.1	35.4	3.7
Administration	15.8	14.0	1.8
Plant Services	25.5	24.9	0.6
Other	16.8	12.9	3.9
<b>Total Expenses</b>	<u>286.5</u>	<u>268.3</u>	<u>18.2</u>
<b>Increase in Net Position</b>	<u><u>\$ 17.5</u></u>	<u><u>\$ 8.3</u></u>	<u><u>\$ 9.2</u></u>

### GOVERNMENTAL ACTIVITIES

The District strives to uphold its fiduciary duties by protecting and preserving the fiscal prosperity of the District. Adherence to the Madera Unified mission statement of establishing a financially sound and effective organization plays a pivotal role in creating a safe and orderly learning environment, that will result in the greatest student achievement. Our goal is long-term stability to ensure that our focus remain true to providing a quality education, and safe and appropriate facilities for our students.

Table A-3 presents the cost of the District's major activities: instruction, student transportation services, food services, pupil services, administration, plant services, and all other services. 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 taxpayers by each of these functions.

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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**Table A-3**  
**Net Cost of Governmental Activities**  
**(in millions of dollars)**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 189.3	\$ 181.1	\$ 149.9	\$ 150.6
Student Transportation	8.1	7.7	7.9	7.6
Food Services	14.9	13.7	0.6	0.5
Pupil Services	16.1	14.0	14.2	11.7
Administration	15.8	14.0	13.7	12.3
Plant Services	25.5	24.9	24.1	24.1
All Other Services	16.8	12.9	15.2	11.1
<b>Total</b>	<b>\$ 286.5</b>	<b>\$ 268.3</b>	<b>\$ 225.6</b>	<b>\$ 217.9</b>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$212.9 million which was an increase of \$45.7 million over the prior year. The primary reasons for the increase were:

- The increase in the General Fund Balance of \$14.0 million is due primarily to an increase in Local Control Funding Formula and cost management.
- The capital project funds increased by \$28.5 million as contributions from the General Fund exceeded capital outlay costs during the year.
- The debt service funds decreased by \$4.2 million as current required bond payments exceeded local tax revenues.
- The special revenue funds decreased by \$1.0 million. A decrease in the Cafeteria Fund of about \$1.1 million was the primary reason.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Four budget periods occur over the course of the year, as the District revises its budget and addresses unexpected changes in revenues and expenditures. The Budget Advisory Committee members met three times during fiscal year to review the budget and discuss the financial process. Federal and State revenue revisions were made during the year, increasing estimates as it became apparent that actual increases would be realized. Corresponding expenditure revisions were implemented to reflect increasing estimates. For 2019-2020, the committee is scheduled to meet four times. The committee includes Governing Board members, community members, and District administrators. Our goal is transparency, timely information, and community and District input.

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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The District budgeted a decrease in General Fund balance of approximately \$6.1 million. Revenues and transfers in were approximately \$6.2 million more than budgeted and expenditures and transfers out were approximately \$13.9 million less than budgeted, leaving the fund with an increase of approximately \$14.0 million.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2019, the District had invested \$345.8 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices (see Table A-4). This amount represents an increase of \$93.1 million (net of accumulated depreciation) over last year.

**Table A-4**  
**Capital Assets**  
**(net of depreciation, in millions of dollars)**

	Governmental Activities		Total
	2019	2018	Percentage Change
Land	\$ 13.8	\$ 13.8	0.0%
Construction in Progress	148.6	52.2	184.7%
Site Improvements	13.5	13.9	-2.9%
Buildings	158.3	162.3	-2.5%
Furniture and Equipment	11.6	10.5	10.5%
<b>Total</b>	<b>\$ 345.8</b>	<b>\$ 252.7</b>	<b>189.8%</b>

We present more detailed information about our capital assets in the Notes to Financial Statements.

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### LONG-TERM OBLIGATIONS

At year-end the District had \$300.5 million long-term obligations outstanding – an increase of 55.9 percent from last year (see Table A-5). The increase is due to the issuance of \$35 million in bonds and \$75 million in certificates of participation.

**Table A-5**  
**Outstanding Long-Term Obligations**  
**(in millions of dollars)**

	Governmental Activities		Total Change
	2019	2018	
General Obligation Bonds	\$ 174.7	\$ 143.1	22.1%
Certificates of Participation	92.6	14.1	556.7%
Compensated Absences	0.4	0.1	300.0%
Early Retirement	1.0	1.5	-33.3%
Capital Leases Payable	2.6	2.9	-10.3%
Other Postemployment Benefits	29.2	31.1	-6.1%
<b>Total</b>	<b>\$ 300.5</b>	<b>\$ 192.8</b>	<b>55.9%</b>

The District's Fitch bond rating as of the most recent bond issuance was "AA-". In addition, the District's certificates of participation S&P rating at the time of their last issuance was "AAA". We present more detailed information about our long-term obligations in the Notes to Financial Statements.

### NET PENSION LIABILITY (NPL)

At year-end, the District has a net pension liability of \$228.3 million versus \$209.3 million last year, an increase of \$19.0 million, or nine percent. The District also reported deferred outflows of resources from pension activities of \$76.3 million, and deferred inflows of resources from pension activities of \$8.8 million. We present more detailed information about our net pension liability in the Notes to Financial Statements.



# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### FACTORS BEARING ON THE DISTRICT'S FUTURE

The District closely monitors its budget on a monthly basis and has a multi-year projection for three years. The LCFF calculator is updated four times per year and revenue projections are evaluated. Since LCFF was fully funded in 2018-2019, the cost-of-living will be primary driver of funding increase. The list below are factors that could impact financial stability in the future:

The District enrollment and attendance for 2018-2019 was 20,011 and 19,987 respectively. The enrollment projection for 2019-2020 is 20,040. The first Wednesday in October is the enrollment Census Day for the California Longitudinal Pupil Achievement Data System (CALPADS). At this time, we will adjust the average daily attendance (ADA) projection according to this count. This enrollment count will also be used to initiate the enrollment projection and staffing analysis for the 2020-2021 school year.

	Enrollment	P2 ADA	Enrollment Increase/Decrease	Attendance Increase/Decrease	%
2015-16	19,778	18,859	3	70	95.4%
2016-17	19,960	19,064	182	205	95.5%
2017-18	20,017	19,026	57	-38	95.0%
2018-19	20,011	18,987	-6	-39	94.9%
2019-20	20,040	19,028	29	41	95.0%

The District completed salary negotiations with labor partners through the 2018-2019 fiscal year. Certificated and Classified salaries were increased two percent and the Insurance Contribution was increased three percent. Negotiations for 2019-2020 Fiscal Year still pending.

We continue our 12 Year Facilities Master Plan that our Governing Board approved in September of 2016. This plan will continue to be our road map for building schools, modernization and purchasing land for future growth. Matilda Torres High School construction still on track to open in August 2020 and we have broken ground for the Concurrent Middle School (soon to be named) which will also open in August of 2020.

Increases in Step/Column, CalSTRS and CalPERS and health/Welfare costs continue to be monitored and are a major concern of the District. Multiyear projections will continue to include these increases. This document is fundamental for financial and budget decisions related to future educational services for MUSD students.

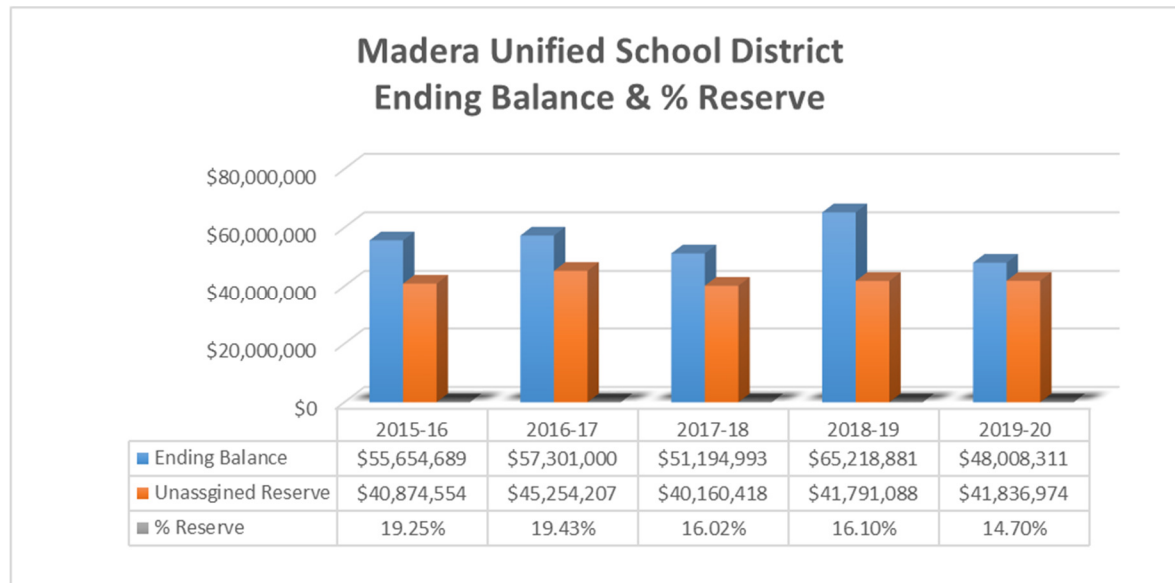
Districts are required to have a minimum balance available to meet potential emergency needs. Assuring that adequate balances are available at the end of the year is an important part of district fiscal management. The state requires only 3% reserve; the board recognizes that 3% is not enough reserve to deal with an emergency. The board approved minimum fund balance of 10%.

# MADERA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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The General Fund ending balance as of June 30, 2019 was \$65 million. After subtracting the funds for One Time Projects and Set Aside the District's reserve ended at 16.1%.

Continue to support the College and Career Pathways, After School Program, Special Education, and still meet the required three percent of the District's budget for Routine Repair Maintenance Account.

## FUTURE YEARS

### 2020-21

1. Estimated COLA 3.0%, \$7.2 million in new revenue
2. Major increases CalSTRS/CalPERS, Step/Column, H&W \$4.4 million
3. Flat enrollment and ADA
4. Open Matilda Torres High School \$3 million
5. Open Concurrent Middle School \$1 million
6. Begin 2018 COP payments \$2 million (interest only)

### 2021-22

1. Estimated COLA 2.80%, \$6.5 million in new revenue
2. Major increases CalSTRS/CalPERS, Step/Column, H&W \$2.6 million
3. Flat enrollment and ADA
4. Continue COP payments \$5 million (principal & interest)
5. Begin plans for 2 new K-8 schools

### 2022-2023

1. Estimated COLA 3.16%, \$7.5 million in new revenue
2. Major increases CalSTRS/CalPERS, Step/Column, H&W \$2.6 million
3. Flat enrollment and ADA
4. Continue plans for 2 new K-8 schools

## **MADERA UNIFIED SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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Madera Unified School District's goal is to maintain a balanced budget, minimal debt, competitive salaries, and the most important rigorous programs, and high quality learning for our students.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Madera Unified School District, 1902 Howard Road, Madera, California 93637.

# MADERA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 232,648,151
Receivables	15,974,781
Prepaid expenses	130,308
Stores inventories	1,065,621
Nondepreciable capital assets	162,403,449
Capital assets being depreciated	297,306,898
Accumulated depreciation	(113,885,003)
<b>Total Assets</b>	<b>595,644,205</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	4,582,339
Deferred outflows of resources related to pensions	76,340,589
<b>Total Deferred Outflows of Resources</b>	<b>80,922,928</b>
<b>LIABILITIES</b>	
Accounts payable	36,201,641
Unearned revenue	727,195
Long-term obligations:	
Current portion of long-term obligations other than pensions	8,449,077
Noncurrent portion of long-term obligations other than pensions	292,050,294
<b>Total Long-Term Obligations</b>	<b>300,499,371</b>
Aggregate net pension liability	228,249,039
<b>Total Liabilities</b>	<b>565,677,246</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	1,022,899
Deferred inflows of resources related to pensions	8,814,226
<b>Total Deferred Inflows of Resources</b>	<b>9,837,125</b>
<b>NET POSITION</b>	
Net investment in capital assets	137,330,048
Restricted for:	
Debt service	17,251,681
Capital projects	8,770,020
Educational programs	3,862,820
Other activities	1,664,889
Unrestricted	(67,826,696)
<b>Total Net Position</b>	<b>\$ 101,052,762</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 155,493,388	\$ 9,714	\$ 28,918,370	\$ 2,245,235
Instruction-related activities:				
Supervision of instruction	12,258,252	367	5,046,973	-
Instructional library, media, and technology	2,511,223	325	1,061,670	-
School site administration	19,051,063	508	2,135,325	-
Pupil services:				
Home-to-school transportation	8,131,720	7,324	218,743	-
Food services	14,856,126	79,433	14,149,374	-
All other pupil services	16,125,966	34	1,946,429	-
Administration:				
Data processing	4,661,485	-	119,168	-
All other administration	11,168,927	5,918	2,065,758	-
Plant services	25,464,886	2,598	1,357,635	-
Ancillary services	3,811,468	-	131,782	-
Community services	39,610	-	1,169	-
Enterprise services	258,154	-	4,125	-
Interest on long-term obligations	9,081,102	-	-	-
Other outgo	3,586,989	339,620	1,070,962	-
<b>Total Governmental Activities</b>	<b>\$ 286,500,359</b>	<b>\$ 445,841</b>	<b>\$ 58,227,483</b>	<b>2,245,235</b>
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Interagency revenues				
Special and extraordinary items				
Miscellaneous				
<b>Subtotal, General Revenues</b>				
<b>Change in Net Position</b>				
Net Position - Beginning				
Net Position - Ending				

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

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**Net (Expenses)  
Revenues and  
Changes in  
Net Position**

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**Governmental  
Activities**

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\$ (124,320,069)

(7,210,912)

(1,449,228)

(16,915,230)

(7,905,653)

(627,319)

(14,179,503)

(4,542,317)

(9,097,251)

(24,104,653)

(3,679,686)

(38,441)

(254,029)

(9,081,102)

(2,176,407)

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(225,581,800)

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28,241,929

7,075,402

909,294

199,613,847

1,892,652

403,923

60,426

4,971,573

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243,169,046

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17,587,246

83,465,516

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\$ 101,052,762

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# MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
<b>ASSETS</b>			
Deposits and investments	\$ 74,431,562	\$ 40,778,107	\$ 89,892,037
Receivables	7,027,576	-	5,934,509
Due from other funds	1,466,142	-	-
Prepaid expenditures	130,308	-	-
Stores inventories	479,829	-	-
<b>Total Assets</b>	<b>\$ 83,535,417</b>	<b>\$ 40,778,107</b>	<b>\$ 95,826,546</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 17,813,333	\$ 664,105	\$ 16,518,026
Due to other funds	-	-	-
Unearned revenue	503,202	-	-
<b>Total Liabilities</b>	<b>18,316,535</b>	<b>664,105</b>	<b>16,518,026</b>
<b>Fund Balances:</b>			
Nonspendable	656,113	-	-
Restricted	3,305,909	40,114,002	-
Committed	-	-	-
Assigned	19,465,770	-	79,308,520
Unassigned	41,791,090	-	-
<b>Total Fund Balances</b>	<b>65,218,882</b>	<b>40,114,002</b>	<b>79,308,520</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 83,535,417</b>	<b>\$ 40,778,107</b>	<b>\$ 95,826,546</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 27,546,445	\$ 232,648,151
3,012,696	15,974,781
-	1,466,142
-	130,308
585,792	1,065,621
<u>\$ 31,144,933</u>	<u>\$ 251,285,003</u>

\$ 1,206,177	\$ 36,201,641
1,466,142	1,466,142
223,993	727,195
<u>2,896,312</u>	<u>38,394,978</u>
590,932	1,247,045
27,654,569	71,074,480
3,120	3,120
-	98,774,290
-	41,791,090
<u>28,248,621</u>	<u>212,890,025</u>
<u>\$ 31,144,933</u>	<u>\$ 251,285,003</u>



# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

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**Total Fund Balance - Governmental Funds** **\$ 212,890,025**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 459,710,347	
Accumulated depreciation is	<u>(113,885,003)</u>	
Net Capital Assets		345,825,344

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	21,739,107	
Net change in proportionate share of net pension liability	17,494,607	
Difference between projected and actual earnings on pension plan investments	508,891	
Differences between expected and actual experience in the measurement of the total pension liability	4,582,698	
Changes of assumptions	<u>32,015,286</u>	
Total Deferred Outflows of Resources Related to Pensions		76,340,589

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Difference between projected and actual earnings on pension plan investments	(6,399,989)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(2,414,237)</u>	
Total Deferred Inflows of Resources Related to Pensions		(8,814,226)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits comes due subsequent to the measurement date.

4,582,339

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

## MADERA UNIFIED SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued JUNE 30, 2019

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Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of amounts related to the differences between projected and actual return on investments.			\$	(1,022,899)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.				(228,249,039)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.				
Bonds payable including premiums, initial denomination	\$	153,463,967		
Certificates of participation		92,570,953		
Compensated absences (vacations)		434,250		
Classified early retirement program		132,575		
PARS early retirement program		913,195		
Capital leases payable		2,574,378		
Other postemployment benefits (OPEB) liability		29,204,827		
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:				
		21,205,226		
Total Long-Term Obligations				(300,499,371)
<b>Total Net Position - Governmental Activities</b>			<b>\$</b>	<b>101,052,762</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund
<b>REVENUES</b>		
Local Control Funding Formula	\$ 219,627,980	\$ -
Federal sources	16,070,069	-
Other State sources	31,398,861	-
Other local sources	6,446,805	543,502
<b>Total Revenues</b>	<b>273,543,715</b>	<b>543,502</b>
<b>EXPENDITURES</b>		
Current		
Instruction	145,947,941	-
Instruction-related activities:		
Supervision of instruction	11,540,984	-
Instructional library, media and technology	2,609,310	-
School site administration	17,789,897	-
Pupil services:		
Home-to-school transportation	6,751,082	-
Food services	128,161	-
All other pupil services	15,293,980	-
Administration:		
Data processing	4,331,191	-
All other administration	9,574,731	-
Plant services	23,305,748	-
Ancillary services	3,811,990	-
Community services	38,998	-
Other outgo	3,586,989	-
Enterprise services	254,615	-
Facility acquisition and construction	1,353,141	48,251,205
Debt service		
Principal	297,298	-
Interest and other	97,741	337,500
<b>Total Expenditures</b>	<b>246,713,797</b>	<b>48,588,705</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>26,829,918</b>	<b>(48,045,203)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	46,331	-
Other sources	60,426	35,000,000
Transfers out	(12,912,785)	-
<b>Net Financing Sources (Uses)</b>	<b>(12,806,028)</b>	<b>35,000,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>14,023,890</b>	<b>(13,045,203)</b>
<b>Fund Balance - Beginning</b>	<b>51,194,992</b>	<b>53,159,205</b>
<b>Fund Balance - Ending</b>	<b>\$ 65,218,882</b>	<b>\$ 40,114,002</b>

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

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<b>Special Reserve Capital Outlay Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 219,627,980
-	14,327,749	30,397,818
-	7,367,417	38,766,278
1,868,527	10,368,404	19,227,238
<u>1,868,527</u>	<u>32,063,570</u>	<u>308,019,314</u>
-	2,941,781	148,889,722
-	345,075	11,886,059
-	-	2,609,310
-	580,783	18,370,680
-	-	6,751,082
-	15,267,285	15,395,446
-	48,914	15,342,894
-	-	4,331,191
-	1,027,551	10,602,282
138,036	768,255	24,212,039
-	-	3,811,990
-	-	38,998
-	-	3,586,989
-	-	254,615
45,221,846	2,195,759	97,021,951
-	6,975,000	7,272,298
-	7,194,454	7,629,695
<u>45,359,882</u>	<u>37,344,857</u>	<u>378,007,241</u>
<u>(43,491,355)</u>	<u>(5,281,287)</u>	<u>(69,987,927)</u>
12,912,785	1,154,496	14,113,612
70,700,000	9,912,173	115,672,599
-	(1,200,827)	(14,113,612)
<u>83,612,785</u>	<u>9,865,842</u>	<u>115,672,599</u>
40,121,430	4,584,555	45,684,672
39,187,090	23,664,066	167,205,353
<u>\$ 79,308,520</u>	<u>\$ 28,248,621</u>	<u>\$ 212,890,025</u>

# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 45,684,672**  
**Amounts Reported for Governmental Activities in the Statement**  
**of Activities are Different Because:**

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

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

Capital outlays	\$101,267,537	
Depreciation expense	<u>(8,113,791)</u>	
Net Expense Adjustment		93,153,746

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than those awarded by \$453,447. Vacation earned was more than the amounts paid by \$271,052.

182,395

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(14,820,279)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.

3,177,994

Proceeds received from the sale of bonds and certificates of participation are revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position does not affect the Statement of Activities.

(115,612,173)

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

## MADERA UNIFIED SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2019

---

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

General obligation bonds	\$ 6,325,000
Certificates of participation	650,000
Capital lease obligations	297,298

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of bond premiums	643,613
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Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.

**Change in Net Position of Governmental Activities**

(2,095,020)
<u><u>\$ 17,587,246</u></u>

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

# MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

	Scholarship Trusts	Agency Funds
<b>ASSETS</b>		
Deposits and investments	\$ 137,783	\$ 496,850
Accounts receivable	641	-
<b>Total Assets</b>	<b>138,424</b>	<b>\$ 496,850</b>
<b>LIABILITIES</b>		
Due to student groups		
Dixieland	\$ -	\$ 7,982
Jefferson	-	24,454
King	-	16,130
La Vina	-	717
Washington	-	6,150
Madera High	-	205,033
Mountain Vista High	-	2,896
Desmond Middle	-	17,158
Madera South High	-	216,330
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 496,850</b>
<b>NET POSITION - RESERVED</b>		
Lorraine Thompson Scholarship	38,009	
Student Government Scholarship	1,070	
Albonico Scholarship	8,200	
Ray Pool Scholarship	7,000	
Science & Health Scholarship	45	
Binger Scholarship	1,461	
J. Hinton Scholarship	-	
Cadenazzi Roberts Scholarship	634	
Michael A Wong Class 85' Scholarship	1,000	
Joan Davis Scholarship	-	
John Arellano Athletic Scholarship	1,000	
Tony Herrera Memorial Scholarship	1,250	
Dave Schoettler Memorial Scholarship	40	
Madera Lions Club	1,010	
Mastin Science	53,534	
Audrey Pool (MSHS)	8,571	
F.F.A Memorial Fund (MSHS)	2,000	
M Wong Class of 85' (MSHS)	-	
Juan Garcia Farmworker Scholarship	13,600	
<b>Total Net Position</b>	<b>\$ 138,424</b>	

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

# MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS - SCHOLARSHIP TRUSTS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

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	<u>Scholarship Trusts</u>
<b>ADDITIONS</b>	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ -
Student Government Scholarship	-
Albonico Scholarship	-
Ray Pool Scholarship	5,000
Science & Health Scholarship	-
Binger Scholarship	-
J. Hinton Scholarship	500
Cardenazzi Roberts Scholarship	-
Michael A Wong Class 85' Scholarship	-
Joan Davis Scholarship	500
John Arellano Athletic Scholarship	2,000
Tony Herrera Memorial Scholarship	1,750
Dave Schoettler Memorial Scholarship	-
Madera Lions Club	-
Mastin Science	53,366
Audrey Pool (MSHS)	5,000
F.F.A Memorial Fund (MSHS)	1,500
M Wong Class of 85' Scholarship (MSHS)	1,000
Juan Garcia Farmworker Scholarship	12,600
<b>Total Additions</b>	<u>83,216</u>

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



# MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS - SCHOLARSHIP TRUSTS STATEMENT OF CHANGES IN NET POSITION, Continued FOR THE YEAR ENDED JUNE 30, 2019

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	<b>Scholarship Trusts</b>
<b>DEDUCTIONS</b>	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	\$ 604
Student Government Scholarship	200
Albonico Scholarship	400
Ray Pool Scholarship	5,000
Science & Health Scholarship	-
Binger Scholarship	-
J. Hinton Scholarship	500
Cardenazzi Roberts Scholarship	-
Michael A. Wong Class 85' Scholarship	-
Joan Davis Scholarship	1,000
John Arellano Athletic Scholarship	1,000
Tony Herrera Memorial Scholarship	500
Dave Schoettler Memorial Scholarship	-
Madera Lions Club	-
Mastin Science	-
Audrey Pool Scholarship (MSHS)	4,000
F.F.A Memorial Fund Scholarship (MSHS)	500
M. Wong Class of 85' Scholarship (MSHS)	3,000
Juan Garcia Farmworker Scholarship	14,000
<b>Total Deductions</b>	<b>30,704</b>
<b>Change in Net Position</b>	<b>52,512</b>
<b>Net Position - Beginning</b>	<b>85,912</b>
<b>Net Position - Ending</b>	<b>\$ 138,424</b>

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Madera Unified School District (the District) was established in 1966, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 and adults, as mandated by the State and/or Federal agencies. The District operates eighteen elementary schools, three middle schools, two comprehensive high schools, two alternative education schools, one community day school, and one adult education school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Madera Unified School District, this includes general operations, food service, and student related activities of the District.

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Madera Unified School District Financing Corporation financial activity is presented in the financial statements as the COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

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

### Non-Major Governmental Funds

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

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

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

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

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into two classifications: scholarship trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the Scholarship Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

### **Investments**

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred. As of June 30, 2019, the District had \$130,308 of prepaid expenditures recorded in the General Fund for travel and conferences.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the *Statement of Net Position*.

### **Compensated Absences**

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accounts Payable and Long-Term Obligations**

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

### **Premiums**

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items.

### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, where applicable, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP fiduciary net position reports investments at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy states that the District intends to maintain a minimum unassigned fund balance, which includes a reserve for economic uncertainties, of ten percent of the District's General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$31,549,410 of restricted net position.

### **Interfund Activity**

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Madera bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 232,648,151
Fiduciary funds	634,633
Total Deposits and Investments	<u><u>\$ 233,282,784</u></u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 37,927,742
Cash in revolving	30,140
Investments	195,324,902
Total Deposits and Investments	<u><u>\$ 233,282,784</u></u>

#### Policies and Practices

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

### General Authorizations

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

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

### Interest Rate Risk

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

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
U.S. Treasuries	\$ 20,822,788	\$ 20,822,788	\$ -	\$ -	\$ -
County Pool	174,560,783	-	174,560,783	-	-
Total	<u>\$ 195,383,571</u>	<u>\$ 20,822,788</u>	<u>\$ 174,560,783</u>	<u>\$ -</u>	<u>\$ -</u>

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, \$37,451,450 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Madera County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total	Scholarship Trusts
Federal Government					
Categorical aid	\$ 3,777,827	\$ -	\$ 2,311,927	\$ 6,089,754	\$ -
State Government					
State grants and entitlements	2,799,682	-	537,462	3,337,144	-
Local Sources	450,067	5,934,509	163,307	6,547,883	641
Total Fund Statements	<u>\$ 7,027,576</u>	<u>\$ 5,934,509</u>	<u>\$ 3,012,696</u>	<u>\$ 15,974,781</u>	<u>\$ 641</u>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, are as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	52,248,879	96,391,238	-	148,640,117
Total Capital Assets Not Being Depreciated	66,012,211	96,391,238	-	162,403,449
Capital Assets being depreciated				
Land improvements	20,938,411	596,287	-	21,534,698
Buildings and improvements	240,512,499	900,748	-	241,413,247
Furniture and equipment	31,310,499	3,379,264	330,810	34,358,953
Total Capital Assets Being Depreciated	292,761,409	4,876,299	330,810	297,306,898
Less Accumulated Depreciation				
Land improvements	7,031,733	997,993	-	8,029,726
Buildings and improvements	78,208,856	4,867,268	-	83,076,124
Furniture and equipment	20,861,433	2,248,530	330,810	22,779,153
Total Accumulated Depreciation	106,102,022	8,113,791	330,810	113,885,003
Governmental Activities Capital Assets, Net	\$ 252,671,598	\$ 93,153,746	\$ -	\$ 345,825,344

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,381,447
School Administration	162,276
Pupil Transportation	1,622,758
Food Services	81,138
General Administration	486,827
Data Processing Services	405,690
Plant Maintenance and Operations	973,655
Total Depreciation Expenses, Governmental Activities	<u>\$ 8,113,791</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 6 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	\$ 1,466,142	\$ -
Non-Major Governmental Funds		
Adult Education	-	353,057
Child Development	-	1,920
Cafeteria	-	1,111,165
Total Non-Major Governmental Funds	-	1,466,142
Total All Governmental Funds	\$ 1,466,142	\$ 1,466,142

The Adult Education Non-Major Governmental Fund owes the General Fund for a temporary loan.

\$ 2,057

The Adult Education Non-Major Governmental Fund owes the General Fund for adjustments to workers compensation costs.

351,000

The Child Development Non-Major Governmental Fund owes the General Fund for adjustments to payroll.

1,920

The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.

1,111,165

Total

\$ 1,466,142

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2019, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for future new school construction needs.	\$ 12,912,785
The Capital Facilities Non-Major Governmental Fund transferred to the General Fund for the allowable three percent developer administration fee.	46,331
The Capital Facilities Non-Major Governmental Fund transferred to the COP Debt Service Non-Major Governmental Fund for current debt service payments.	1,154,496
Total	<u>\$ 14,113,612</u>

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consist of the following:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 3,519,194	\$ 664,105	\$ 16,518,026	\$ 1,082,896	\$ 21,784,221
Deferred payroll	5,084,703	-	-	-	5,084,703
State principal apportionment	767,285	-	-	-	767,285
Health and welfare benefits	6,936,888	-	-	3,385	6,940,273
Accrued salaries	1,505,263	-	-	119,896	1,625,159
Total	<u>\$ 17,813,333</u>	<u>\$ 664,105</u>	<u>\$ 16,518,026</u>	<u>\$ 1,206,177</u>	<u>\$ 36,201,641</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 188,124	\$ -	\$ 188,124
State categorical aid	301,834	223,993	525,827
Local sources	13,244	-	13,244
Total	<u>\$ 503,202</u>	<u>\$ 223,993</u>	<u>\$ 727,195</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
2012 Refunding general obligation bonds	\$ 10,755,000	\$ -	\$ 575,000	\$ 10,180,000	\$ 640,000
Premium	354,619	-	32,238	322,381	-
2014 Refunding general obligation bonds	10,340,000	-	1,535,000	8,805,000	1,535,000
Premium	1,499,642	-	249,940	1,249,702	-
General obligation bonds-2015					
Current Interest Bonds	1,850,000	-	1,850,000	-	-
General obligation bonds-2016					
Current Interest Bonds	4,501,000	-	-	4,501,000	-
Premium	250,469	-	10,890	239,579	-
General obligation bonds-2017					
Current Interest Bonds	63,000,000	-	440,000	62,560,000	2,455,000
Premium	6,014,890	-	214,180	5,800,710	-
General obligation bonds-2019					
Current Interest Bonds	-	35,000,000	-	35,000,000	-
Premium	-	1,314,855	-	1,314,855	-
General obligation bonds-2005					
Capital Appreciation Bonds	13,329,104	-	1,032,262	12,296,842	1,022,210
Accreted interest	12,423,432	1,230,109	892,738	12,760,803	992,790
General obligation bonds-2006					
Capital Appreciation Bonds	1,885,059	-	-	1,885,059	156,811
Accreted interest	1,516,041	167,742	-	1,683,783	123,189
General obligation bonds-2007					
Capital Appreciation Bonds	9,308,839	-	-	9,308,839	-
Accreted interest	6,063,471	697,169	-	6,760,640	-
Certificates of participation-2014	14,060,000	-	650,000	13,410,000	680,000
Certificates of participation-2018	-	75,070,000	-	75,070,000	-
Premium	-	4,227,318	136,365	4,090,953	-
Compensated absences - net	163,198	271,052	-	434,250	-
Classified early retirement program	129,424	99,297	96,146	132,575	80,249
PARS early retirement program	1,369,793	-	456,598	913,195	456,598
Capital leases	2,871,676	-	297,298	2,574,378	307,230
Other postemployment benefits (OPEB) liability-District Plan	29,857,568	-	1,895,179	27,962,389	-
Other postemployment benefits (OPEB)-Medicare Premium					
Payment (MPP) Program	1,282,991	-	40,553	1,242,438	-
Total	<u>\$ 192,826,216</u>	<u>\$ 118,077,542</u>	<u>\$ 10,404,387</u>	<u>\$ 300,499,371</u>	<u>\$ 8,449,077</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The COP Debt Service Fund makes payments for the Certificates of Participation. The compensated absences, early retirement programs, and other postemployment benefits obligations will be paid by the fund for which the employee worked. Payments on the capital leases are made by the General Fund.

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued/ Accreted	Redeemed/ Defeased	Bonds Outstanding June 30, 2019
<b>Current Interest Bonds:</b>							
2012 - Refunding General Obligation Bonds							
2/22/12	8/2012-8/2028	2.0-3.625%	\$ 12,925,000	\$ 10,755,000	\$ -	\$ 575,000	\$ 10,180,000
2014 - Refunding General Obligation Bonds							
12/3/14	8/2015-8/2023	3.0-5.0%	15,535,000	10,340,000	-	1,535,000	8,805,000
2014 - Series 2015 General Obligation Bonds							
9/1/15	8/2016-8/2018	2.0-4.0%	7,000,000	1,850,000	-	1,850,000	-
2006 - Series 2016 General Obligation Bonds							
8/3/16	8/2032-8/2040	2.5-2.875%	4,501,000	4,501,000	-	-	4,501,000
2014 - Series 2017 General Obligation Bonds							
6/1/17	8/2018-8/2046	2.0-5.0%	63,000,000	63,000,000	-	440,000	62,560,000
2018 - Series 2019 General Obligation Bonds							
6/26/19	8/2020-8/48	3.0-5.0%	35,000,000	-	35,000,000	-	35,000,000
<b>Capital Appreciation Bonds:</b>							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2018-8/2029	4.77-5.23%	13,329,104	13,329,104	-	1,032,262	12,296,842
Accreted interest				12,423,432	1,230,109	892,738	12,760,803
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	1,885,059	-	-	1,885,059
Accreted interest				1,516,041	167,742	-	1,683,783
2006 - Series 2007 General Obligation Bonds							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	9,308,839	-	-	9,308,839
Accreted interest				6,063,471	697,169	-	6,760,640
Total				<u>\$ 134,971,946</u>	<u>\$ 37,095,020</u>	<u>\$ 6,325,000</u>	<u>\$ 165,741,966</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Debt Service Requirements to Maturity

#### 2012 Refunding Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 640,000	\$ 383,269	\$ 1,023,269
2021	715,000	357,669	1,072,669
2022	790,000	330,069	1,120,069
2023	860,000	306,369	1,166,369
2024	940,000	280,569	1,220,569
2025-2029	6,235,000	734,957	6,969,957
Total	<u>\$ 10,180,000</u>	<u>\$ 2,392,902</u>	<u>\$ 12,572,902</u>

#### 2014 Refunding Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 1,430,000	\$ 440,250	\$ 1,870,250
2021	1,580,000	368,750	1,948,750
2022	1,750,000	289,750	2,039,750
2023	1,925,000	202,250	2,127,250
2024	2,120,000	106,000	2,226,000
Total	<u>\$ 8,805,000</u>	<u>\$ 1,407,000</u>	<u>\$ 10,212,000</u>

#### 2006 - Series 2016 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 154,531	\$ 154,531
2021	-	154,531	154,531
2022	-	154,531	154,531
2023	-	154,531	154,531
2024	-	154,531	154,531
2025-2029	-	772,655	772,655
2030-2034	901,000	749,958	1,650,958
2035-2039	2,475,000	477,030	2,952,030
2040-2041	1,125,000	48,344	1,173,344
Total	<u>\$ 4,501,000</u>	<u>\$ 2,820,642</u>	<u>\$ 7,321,642</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### 2014 - Series 2017 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 2,455,000	\$ 2,638,000	\$ 5,093,000
2021	460,000	2,579,700	3,039,700
2022	-	2,570,500	2,570,500
2023	150,000	2,569,000	2,719,000
2024	245,000	2,565,050	2,810,050
2025-2029	3,050,000	12,499,250	15,549,250
2030-2034	7,075,000	11,327,275	18,402,275
2035-2039	12,415,000	9,363,700	21,778,700
2040-2044	20,070,000	5,650,925	25,720,925
2045-2047	16,640,000	1,032,000	17,672,000
Total	<u>\$ 62,560,000</u>	<u>\$ 52,795,400</u>	<u>\$ 115,355,400</u>

### 2018 - Series 2019 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 774,149	\$ 774,149
2021	3,075,000	1,219,375	4,294,375
2022	2,385,000	1,082,875	3,467,875
2023	-	1,023,250	1,023,250
2024	-	1,023,250	1,023,250
2025-2029	1,020,000	5,046,250	6,066,250
2030-2034	2,830,000	4,661,250	7,491,250
2035-2039	5,110,000	3,990,750	9,100,750
2040-2044	8,180,000	2,838,600	11,018,600
2045-2049	12,400,000	995,475	13,395,475
Total	<u>\$ 35,000,000</u>	<u>\$ 22,655,224</u>	<u>\$ 57,655,224</u>



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### Capital Appreciation Bonds

The Capital Appreciation Bonds do not require annual principal and interest payments. The bonds accrete in value for the interest earned on the bonds for each fiscal year until the bonds maturity date at which time, the maturity value of the bonds is payable. Below is a summary of the current valuation (accreted value) of the bonds including the maturity value of those bonds.

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2006 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2020	\$ 2,015,000	\$ 2,015,000	\$ 280,000	\$ 280,000	\$ -	\$ -
2021	2,100,000	2,001,300	295,000	282,374	-	-
2022	2,200,000	1,995,840	305,000	279,380	-	-
2023	2,300,000	1,984,440	325,000	284,570	-	-
2024	2,400,000	1,967,520	335,000	280,395	-	-
2025-2029	13,735,000	9,601,678	1,930,000	1,401,617	13,705,000	10,048,496
2030-2032	9,455,000	5,491,867	1,435,000	760,506	9,845,000	6,020,983
Total	<u>\$ 34,205,000</u>	<u>\$ 25,057,645</u>	<u>\$ 4,905,000</u>	<u>\$ 3,568,842</u>	<u>\$ 23,550,000</u>	<u>\$ 16,069,479</u>

### Certificates of Participation

In February 2014, the Madera Unified School District issued certificates of participation in the amount of \$16,745,000 with an interest rate of 3.87 percent. The proceeds were used to refund the \$16,235,000 remaining balance of the 2004 Certificates of Participation.

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 680,000	\$ 505,809	\$ 1,185,809
2021	705,000	479,009	1,184,009
2022	730,000	451,241	1,181,241
2023	760,000	422,409	1,182,409
2024	785,000	392,513	1,177,513
2025-2029	4,415,000	1,472,823	5,887,823
2030-2034	5,335,000	531,843	5,866,843
Total	<u>\$ 13,410,000</u>	<u>\$ 4,255,647</u>	<u>\$ 17,665,647</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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In August 2018, the District issued \$75,070,000 in Certificates of Participation. The Certificates were issued to finance improvements to education facilities within the District. The Certificates were issued at a five percent interest rate and mature from September 1, 2021 through September 1, 2048.

The Certificates of Participation mature through 2049 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 3,909,896	\$ 3,909,896
2021	-	3,753,500	3,753,500
2022	1,285,000	3,753,500	5,038,500
2023	1,350,000	3,689,250	5,039,250
2024	1,415,000	3,621,750	5,036,750
2025-2029	8,220,000	16,973,000	25,193,000
2030-2034	10,500,000	14,701,000	25,201,000
2035-2039	13,390,000	11,801,000	25,191,000
2040-2044	17,095,000	8,101,000	25,196,000
2045-2049	21,815,000	3,378,500	25,193,500
Total	<u>\$ 75,070,000</u>	<u>\$ 73,682,396</u>	<u>\$ 148,752,396</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$434,250.

### District Early Retirement Program

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$132,575 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement program totaled \$96,146.

### PARS Early Retirement Program

The District has entered into an agreement with the Public Agency Retirement System (PARS) to provide an early retirement incentive to qualified certificated employees. The District is required to make five annual payments to the program for the benefit of participating retirees in the amount of \$456,598 per year beginning July 10, 2016. The District's outstanding obligation at June 30, 2019, is \$913,195.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Leases
Balance, July 1, 2018	\$ 2,871,676
Payments	297,298
Balance, June 30, 2019	<u>\$ 2,574,378</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	\$ 391,039
2021	391,039
2022	391,039
2023	391,039
2024	391,039
2025-2027	<u>977,595</u>
Total	2,932,790
Less: Amount Representing Interest	358,412
Present Value of Minimum Lease Payments	<u>\$ 2,574,378</u>

### Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 27,962,389	\$ 4,582,339	\$ 1,022,899	\$ (3,137,441)
Medicare Premium Payment (MPP) Program	1,242,438	-	-	(40,553)
Total	<u>\$ 29,204,827</u>	<u>\$ 4,582,339</u>	<u>\$ 1,022,899</u>	<u>\$ (3,177,994)</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The details of each plan are as follows:

### **District Plan**

#### **Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

#### *Plan Membership*

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	138
Active employees	<u>1,722</u>
Total	<u><u>1,860</u></u>

#### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

#### *Contributions*

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Madera Unified Teachers Association (MUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, MUTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid \$4,582,339 in benefits, consisting of \$2,288,902 in retiree premiums, an implicit rate subsidy of \$293,437, and a \$2,000,000 contribution to an irrevocable trust.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Total OPEB Liability of the District

#### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.0 percent, average, including inflation
Investment rate of return	3.62 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.0 percent for 2018 and thereafter

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males and Females, as appropriate, without projection.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actual experience study for the period July 1, 2015 to June 30, 2017.

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 29,857,568
Service cost	653,482
Interest	898,745
Contributions-employer	(2,305,085)
Changes of assumptions or other inputs	(1,142,321)
Net change in total OPEB liability	(1,895,179)
Balance at June 30, 2018	<u>\$ 27,962,389</u>

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.13 percent to 3.62 percent since the previous valuation.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.62%)	\$ 30,363,669
Current discount rate (3.62%)	27,962,389
1% increase (4.62%)	25,820,793

### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (4.0%)	\$ 27,664,972
Current healthcare cost trend rate (5.0%)	27,962,389
1% increase (6.0%)	28,397,828

For the year ended June 30, 2019, the District recognized OPEB expense of \$(3,137,441). At June 30, 2019, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 4,582,339	\$ -
Changes of assumptions	-	1,022,899
Total	<u>\$ 4,582,339</u>	<u>\$ 1,022,899</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The deferred inflows of resources related to changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (119,422)
2021	(119,422)
2022	(119,422)
2023	(119,422)
2024	(119,422)
Thereafter	(425,789)
Total	<u>\$ (1,022,899)</u>

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$1,242,438 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.3246 percent and 0.3050 percent, resulting in a net increase in the proportionate share of 0.0196 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(40,553).

### Actuarial Methods and Assumptions

The June 30, 2018, total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 1,374,199
Current discount rate (3.87%)	1,242,438
1% increase (4.87%)	1,123,468

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,132,979
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,242,438
1% increase (4.7% Part A and 5.1% Part B)	1,360,160

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 5,140	\$ 30,140
Stores inventories	479,829	-	-	585,792	1,065,621
Prepaid expenditures	130,308	-	-	-	130,308
All other	20,976	-	-	-	20,976
Total Nonspendable	<u>656,113</u>	<u>-</u>	<u>-</u>	<u>590,932</u>	<u>1,247,045</u>
Restricted					
Legally restricted programs	3,305,909	-	-	1,632,868	4,938,777
Capital projects	-	40,114,002	-	8,770,020	48,884,022
Debt service	-	-	-	17,251,681	17,251,681
Total Restricted	<u>3,305,909</u>	<u>40,114,002</u>	<u>-</u>	<u>27,654,569</u>	<u>71,074,480</u>
Committed					
Adult education program	-	-	-	3,120	3,120
Assigned					
RRM athletic fields	1,500,000	-	-	-	1,500,000
School site/athletics	672,524	-	-	-	672,524
Teacher residency grant	424,258	-	-	-	424,258
S/C targeted support	4,054,340	-	-	-	4,054,340
Program carryover	285,803	-	-	-	285,803
Career technical education	2,807,203	-	-	-	2,807,203
Future E-Rate projects	723,796	-	-	-	723,796
Instructional materials	4,000,000	-	-	-	4,000,000
School libraries	1,000,000	-	-	-	1,000,000
Vacation accruals	415,223	-	-	-	415,223
Operating reserve	45,230	-	-	-	45,230
Capital projects	-	-	79,308,520	-	79,308,520
Other	3,537,393	-	-	-	3,537,393
Total Assigned	<u>19,465,770</u>	<u>-</u>	<u>79,308,520</u>	<u>-</u>	<u>98,774,290</u>
Unassigned					
Reserve for economic uncertainties	7,788,677	-	-	-	7,788,677
Remaining unassigned	34,002,413	-	-	-	34,002,413
Total Unassigned	<u>41,791,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,791,090</u>
Total	<u>\$ 65,218,882</u>	<u>\$ 40,114,002</u>	<u>\$ 79,308,520</u>	<u>\$ 28,248,621</u>	<u>\$ 212,890,025</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 11 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with the California Risk Management Authority (CRMA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

The District pays for workers' compensation through the California Risk Management Authority.

#### Employee Medical Benefits

The District has contracted with California's Valued Trust to provide employee health, dental and vision benefits. Benefits are self funded and are paid out of the assets of the Trust. Each participating school district's contribution to the Trust is determined by the collective bargaining agreement between the individual district and CTA or California School Employees Association and/or by the participating agreement between the district and the Trust with respect to employees not covered by a collective bargaining agreement. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow.

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 166,206,226	\$ 57,238,255	\$ 8,814,226	\$ 22,955,870
CalPERS	62,042,813	19,102,334	-	13,603,516
Total	<u>\$ 228,249,039</u>	<u>\$ 76,340,589</u>	<u>\$ 8,814,226</u>	<u>\$ 36,559,386</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$15,829,128.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 166,206,226
State's proportionate share of the net pension liability associated with the District	95,160,838
Total	<u>\$ 261,367,064</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1808 percent and 0.1684 percent, resulting in a net increase in the proportionate share of 0.0124 percent.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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For the year ended June 30, 2019, the District recognized pension expense of \$22,955,870. In addition, the District recognized pension expense and revenue of \$11,179,253 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,829,128	\$ -
Net change in proportionate share of net pension liability	15,073,143	-
Difference between projected and actual earnings on pension plan investments	-	6,399,989
Differences between expected and actual experience in the measurement of the total pension liability	515,399	2,414,237
Changes of assumptions	25,820,585	-
Total	<u>\$ 57,238,255</u>	<u>\$ 8,814,226</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ 1,389,619
2021	(1,008,343)
2022	(5,369,343)
2023	(1,411,922)
Total	<u>\$ (6,399,989)</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 7,894,241
2021	7,894,241
2022	7,894,239
2023	6,914,090
2024	7,022,160
Thereafter	1,375,919
Total	<u>\$ 38,994,890</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 243,472,671
Current discount rate (7.10%)	166,206,226
1% increase (8.10%)	102,144,845



# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### California Public Employees Retirement System (CalPERS)

#### **Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

#### **Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$5,909,979.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$62,042,813. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.2327 percent and 0.2240 percent, resulting in a net increase in the proportionate share of 0.0087 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$13,603,516. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$ 5,909,979
Net change in proportionate share of net pension liability	2,421,464
Difference between projected and actual earnings on pension plan investments	508,891
Differences between expected and actual experience in the measurement of the total pension liability	4,067,299
Changes of assumptions	6,194,701
Total	<u>\$ 19,102,334</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 1,850,947
2021	442,638
2022	(1,418,490)
2023	(366,204)
Total	<u>\$ 508,891</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 5,675,482
2021	5,257,158
2022	1,750,824
Total	<u>\$ 12,683,464</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 90,331,369
Current discount rate (7.15%)	62,042,813
1% increase (8.15%)	38,573,406

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$8,782,756 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 13 - COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Operating Leases

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

### Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Matilda Torres High School	\$ 79,536,978	August 2020
New concurrent enrollment middle school	30,028,794	October 2020
Athletic field improvement - Madera South High School	2,573,646	September 2019
Career technical education modernization - Madera High School	3,397,560	July 2020
Total	<u>\$ 115,536,978</u>	

### NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the California Risk Management Authority (CRMA) and the California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to these entities for its property and liability, workers' compensation and health coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

The entities have budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entities and the District is included in these statements. Audited financial statements are available from the entities.

The District has appointed one member to the governing board of CRMA and CVT.

During the year ended June 30, 2019, the District made payment of \$3,353,410 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2019, the District made payment of \$32,111,998 to CVT for health and welfare benefits.

***REQUIRED SUPPLEMENTARY INFORMATION***

# MADERA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	<b>Budgeted Amounts</b>			<b>Variances - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 217,907,315	\$ 219,529,460	\$ 219,627,980	\$ 98,520
Federal sources	14,374,428	19,618,138	16,070,069	(3,548,069)
Other State sources	20,934,685	22,184,368	31,398,861	9,214,493
Other local sources	5,009,268	6,043,235	6,446,805	403,570
<b>Total Revenues</b>	<b>258,225,696</b>	<b>267,375,201</b>	<b>273,543,715</b>	<b>6,168,514</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	99,097,523	100,332,751	98,797,227	1,535,524
Classified salaries	31,023,556	32,253,562	31,835,972	417,590
Employee benefits	68,520,165	69,014,642	76,998,810	(7,984,168)
Books and supplies	18,471,577	21,036,435	10,278,276	10,758,159
Services and operating expenditures	21,423,656	25,880,541	20,926,942	4,953,599
Other outgo	2,649,676	2,751,406	2,621,878	129,528
Capital outlay	987,682	8,965,901	4,859,653	4,106,248
Debt service - principal	297,298	297,298	297,298	-
Debt service - interest	93,741	100,741	97,741	3,000
<b>Total Expenditures</b>	<b>242,564,874</b>	<b>260,633,277</b>	<b>246,713,797</b>	<b>13,919,480</b>
<b>Excess of Revenues Over Expenditures</b>	<b>15,660,822</b>	<b>6,741,924</b>	<b>26,829,918</b>	<b>20,087,994</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	30,000	30,000	46,331	16,331
Other sources	-	60,426	60,426	-
Transfers out	(12,912,785)	(12,912,785)	(12,912,785)	-
Other uses	(7,000)	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>(12,889,785)</b>	<b>(12,822,359)</b>	<b>(12,806,028)</b>	<b>16,331</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,771,037</b>	<b>(6,080,435)</b>	<b>14,023,890</b>	<b>20,104,325</b>
<b>Fund Balance - Beginning</b>	<b>51,194,992</b>	<b>51,194,992</b>	<b>51,194,992</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 53,966,029</b>	<b>\$ 45,114,557</b>	<b>\$ 65,218,882</b>	<b>\$ 20,104,325</b>

<sup>1</sup> On behalf payments of \$8,492,149 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.



# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 653,482	\$ 634,449
Interest	898,745	927,918
Changes of assumptions	(1,142,321)	-
Benefit payments	(2,305,085)	(2,680,864)
<b>Net change in total OPEB liability</b>	<b>(1,895,179)</b>	<b>(1,118,497)</b>
<b>Total OPEB liability - beginning</b>	<b>29,857,568</b>	<b>30,976,065</b>
<b>Total OPEB liability - ending</b>	<b>\$ 27,962,389</b>	<b>\$ 29,857,568</b>
 <b>Covered payroll</b>	 <b>N/A<sup>1</sup></b>	 <b>N/A<sup>1</sup></b>
 <b>District's total OPEB liability as a percentage of covered payroll</b>	 <b>N/A<sup>1</sup></b>	 <b>N/A<sup>1</sup></b>

<sup>1</sup> The District's OPEB Plan was not administered through a trust prior to the measurement date of June 30, 2018, and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

## MADERA UNIFIED SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

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Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.3050%	0.3050%
District's proportionate share of the net OPEB liability	\$ 1,242,438	\$ 1,282,991
District's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
<b>CalSTRS</b>		
District's proportion of the net pension liability	0.1808%	0.1684%
District's proportionate share of the net pension liability	\$ 166,206,226	\$ 155,779,286
State's proportionate share of the net pension liability associated with the District	95,160,838	92,157,710
Total	<u>\$ 261,367,064</u>	<u>\$ 247,936,996</u>
District's covered - employee payroll	<u>\$ 96,877,838</u>	<u>\$ 90,127,401</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	171.56%	172.84%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
<b>CalPERS</b>		
District's proportion of the net pension liability	0.2327%	0.2240%
District's proportionate share of the net pension liability	<u>\$ 62,042,813</u>	<u>\$ 53,481,744</u>
District's covered - employee payroll	<u>\$ 30,838,735</u>	<u>\$ 28,608,648</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	201.18%	186.94%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.1650%</u>	<u>0.1630%</u>	<u>0.1504%</u>
\$133,433,285	\$109,768,136	\$ 87,863,363
<u>75,961,189</u>	<u>58,055,243</u>	<u>53,055,692</u>
<u>\$ 209,394,474</u>	<u>\$ 167,823,379</u>	<u>\$ 140,919,055</u>
<u>\$ 83,354,240</u>	<u>\$ 74,943,153</u>	<u>\$ 68,012,364</u>
<u>160.08%</u>	<u>146.47%</u>	<u>129.19%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.2119%</u>	<u>0.2062%</u>	<u>0.1894%</u>
<u>\$ 41,858,308</u>	<u>\$ 30,391,170</u>	<u>\$ 21,502,181</u>
<u>\$ 25,446,577</u>	<u>\$ 22,981,956</u>	<u>\$ 20,186,890</u>
<u>164.49%</u>	<u>132.24%</u>	<u>106.52%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 15,829,128	\$ 13,979,472
Contributions in relation to the contractually required contribution	<u>15,829,128</u>	<u>13,979,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 97,230,516</u>	<u>\$ 96,877,838</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 5,909,979	\$ 4,789,564
Contributions in relation to the contractually required contribution	<u>5,909,979</u>	<u>4,789,564</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 32,720,513</u>	<u>\$ 30,838,735</u>
Contributions as a percentage of covered - employee payroll	<u>18.062%</u>	<u>15.531%</u>

*Note :* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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2017	2016	2015
\$ 11,338,027	\$ 8,943,910	\$ 6,654,952
11,338,027	8,943,910	6,654,952
\$ -	\$ -	\$ -
\$ 90,127,401	\$ 83,354,240	\$ 74,943,153
12.58%	10.73%	8.88%
\$ 3,973,169	\$ 3,014,656	\$ 2,705,206
3,973,169	3,014,656	2,705,206
\$ -	\$ -	\$ -
\$ 28,608,648	\$ 25,446,577	\$ 22,981,956
13.888%	11.847%	11.771%

# MADERA UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

#### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.13 percent to 3.62 percent since the previous valuation.

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

# MADERA UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms*** - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes of Assumptions*** - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



## ***SUPPLEMENTARY INFORMATION***

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Fund For The Improvement of Education - Carol M. White Passed Through California Department of Education (CDE):	84.215F	N/A	\$ 206,478
Title I - Part A, Basic	84.010	14329	9,237,116
Title I - Part C, Migrant	84.011	14326	374,777
Title I - Part C, Migrant Summer	84.011	10005	7,026
Title II - Part A, Supporting Effective Instruction	84.367	14341	1,203,112
Title III - English Language Acquisition - IEP	84.365	15146	17,965
Title III - English Language Acquisition - LEP	84.365	14346	789,008
Title IV - Part B, 21st Century CLC Program	84.287	14349	1,925,763
Title IV - Part A, Student Support and Academic Enrichment	84.424	15396	52,372
Title IV - Part A, Student Support and Academic Enrichment, Competitive Grant	84.424	15391	324,542
Adult Education, Basic	84.002A	14508	70,102
Adult Education, English Literacy and Civics Education	84.002A	14109	28,063
Adult Education, Secondary Education	84.002	13978	144,100
Adult Education, Institutionalized Adults	84.002	13971	8,250
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	1,241,914
Special Education, Basic Local Assistance, Private School	84.027	10115	1,742
Subtotal Special Education Cluster			1,243,656
Career and Technical Education: Secondary, Section 131	84.048	14894	229,261
Total U.S. Department of Education			15,861,591
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	9,074,363
Basic Breakfast	10.553	13525	94,546
Especially Needy Breakfast	10.553	13526	2,832,902
Meals Supplements-Snack	10.555	13391	400,811
Food Distribution-Commodities	10.555	13391	1,225,628
Summer Food Program	10.559	13004	24,136
Subtotal Child Nutrition Cluster			13,652,386
Fresh Fruit and Vegetable Program	10.582	14968	424,849
Total U.S. Department of Agriculture			14,077,235
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	108,645
Medi-Cal Administrative Activities	93.778	10060	350,347
Subtotal Medicaid Cluster			458,992
Total U.S. Department of Health and Human Services			458,992
Total Expenditures of Federal Awards			\$ 30,397,818

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

The Madera Unified School District was established in 1966 and consists of an area comprising approximately 400 square miles. The District operates eighteen elementary schools, three middle schools, two comprehensive high schools, two alternative education schools, one community day school, and one adult education school. There were no boundary changes during the year.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ray G. Seibert	President	2020
Ruben Mendoza	Clerk	2020
Ricardo Arredondo	Trustee	2020
Brent Fernandes	Trustee	2022
Joetta Fleaak	Trustee	2022
Ed McIntyre	Trustee	2022
Lucy Salazar	Trustee	2022

### ADMINISTRATION

Todd Lile	Superintendent
Sandon Schwartz	Deputy Superintendent
Sheryl Sisil	Assistant Superintendent
Kent Albertson	Chief of Human Resources Officer
Arelis Garcia	Chief Financial Officer
Linda Monreal	Chief Academic Officer, Elementary
Jesse Carrasco	Chief Academic Officer, Secondary
Babatunde Ilori	Director of Accountability and Communications
Rebecca Malmo	Executive Director of Student and Family Support Services

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,165.49	6,160.27
Fourth through sixth	4,386.38	4,377.22
Seventh and eighth	3,044.04	3,031.19
Ninth through twelfth	5,336.76	5,266.64
Total Regular ADA	18,932.67	18,835.32
Extended Year Special Education		
Transitional kindergarten through third	2.37	2.37
Fourth through sixth	1.59	1.59
Seventh and eighth	0.29	0.29
Ninth through twelfth	0.58	0.58
Total Extended Year Special Education	4.83	4.83
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.88	1.76
Seventh and eighth	0.01	0.01
Ninth through twelfth	1.12	1.19
Total Special Education, Nonpublic, Nonsectarian Schools	3.01	2.96
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.08	0.08
Ninth through twelfth	0.11	0.11
Total Special Education, Nonpublic, Nonsectarian Schools	0.19	0.19
Community Day School		
Seventh and eighth	6.45	7.75
Ninth through twelfth	36.10	37.28
Total Community Day School	42.55	45.03
Total ADA	18,983.25	18,888.33

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-1987	2018-2019	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,980	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,860	180	N/A	Complied
Grade 2		55,860	180	N/A	Complied
Grade 3		55,860	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,860	180	N/A	Complied
Grade 5		55,860	180	N/A	Complied
Grade 6		55,860	180	N/A	Complied
Grade 7		55,980	180	N/A	Complied
Grade 8		55,980	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,879	179	N/A	Did Not Comply <sup>1</sup>
Grade 10		65,136	180	N/A	Complied
Grade 11		65,136	180	N/A	Complied
Grade 12		65,136	180	N/A	Complied

<sup>1</sup> Did not comply with longer year instructional days requirement in 9th grade.

See accompanying note to supplementary information.

## **MADERA UNIFIED SCHOOL DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
GENERAL FUND				
Revenues and other sources	\$ 267,314,022	\$ 273,650,472	\$ 244,555,021	\$ 234,508,233
Expenditures and other uses	284,524,592	259,626,582	250,661,027	232,861,924
INCREASE/(DECREASE) IN FUND BALANCE	\$ (17,210,570)	\$ 14,023,890	\$ (6,106,006)	\$ 1,646,309
ENDING FUND BALANCE	\$ 48,008,312	\$ 65,218,882	\$ 51,194,992	\$ 57,300,998
AVAILABLE RESERVES <sup>2, 4</sup>	\$ 41,836,974	\$ 41,791,090	\$ 40,160,417	\$ 45,254,207
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	14.7%	16.6%	16.0%	19.4%
LONG-TERM OBLIGATIONS <sup>3</sup>	Not Available	\$ 300,499,371	\$ 192,826,216	\$ 200,737,395
AVERAGE DAILY ATTENDANCE AT P-2	19,055	18,983	19,026	19,064

The General Fund balance has increased by \$7,917,884 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$17,210,570 (26.39 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$99,761,976 over the past two years due primarily to the issuance of general obligation bonds and certificates of participation.

Average daily attendance has decreased by 81 over the past two years. However, a growth of 72 ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances contained within the General Fund.

<sup>3</sup> The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

<sup>4</sup> On behalf payments of \$8,492,149 relating to Senate Bill 90 (Chapter 33, Statutes of 2019) have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

# MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2019

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Name of Charter School	Included in Audit Report
Ezequiel Tafoya Alvarado Academy (Charter Number 0676)	No
Sherman Thomas Charter High School (Charter Number 1058)	No
Sherman Thomas Charter School (Charter Number 0507)	No
Sherman Thomas STEM Academy (Charter Number 1780)	No

See accompanying note to supplementary information.



# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>ASSETS</b>			
Deposits and investments	\$ 93,337	\$ 467,352	\$ 28,896
Receivables	447,128	261,210	2,304,358
Stores inventories	-	-	585,792
<b>Total Assets</b>	<b>\$ 540,465</b>	<b>\$ 728,562</b>	<b>\$ 2,919,046</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 17,938	\$ 110,088	\$ 142,992
Due to other funds	353,057	1,920	1,111,165
Unearned revenue	-	223,993	-
<b>Total Liabilities</b>	<b>370,995</b>	<b>336,001</b>	<b>1,254,157</b>
<b>Fund Balances:</b>			
Nonspendable	2,000	-	588,932
Restricted	164,350	392,561	1,075,957
Committed	3,120	-	-
<b>Total Fund Balances</b>	<b>169,470</b>	<b>392,561</b>	<b>1,664,889</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 540,465</b>	<b>\$ 728,562</b>	<b>\$ 2,919,046</b>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 5,480,618	\$ 4,224,561	\$ 10,700,356	\$ 6,551,325	\$ 27,546,445
-	-	-	-	3,012,696
-	-	-	-	585,792
<u>\$ 5,480,618</u>	<u>\$ 4,224,561</u>	<u>\$ 10,700,356</u>	<u>\$ 6,551,325</u>	<u>\$ 31,144,933</u>
\$ 806,136	\$ 129,023	\$ -	\$ -	\$ 1,206,177
-	-	-	-	1,466,142
-	-	-	-	223,993
<u>806,136</u>	<u>129,023</u>	<u>-</u>	<u>-</u>	<u>2,896,312</u>
-	-	-	-	590,932
4,674,482	4,095,538	10,700,356	6,551,325	27,654,569
-	-	-	-	3,120
<u>4,674,482</u>	<u>4,095,538</u>	<u>10,700,356</u>	<u>6,551,325</u>	<u>28,248,621</u>
<u>\$ 5,480,618</u>	<u>\$ 4,224,561</u>	<u>\$ 10,700,356</u>	<u>\$ 6,551,325</u>	<u>\$ 31,144,933</u>

# MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>			
Federal sources	\$ 250,515	\$ -	\$ 14,077,234
Other State sources	1,144,590	2,778,590	1,143,473
Other local sources	255,243	107,400	118,872
<b>Total Revenues</b>	<b>1,650,348</b>	<b>2,885,990</b>	<b>15,339,579</b>
<b>EXPENDITURES</b>			
Current			
Instruction	709,899	2,231,882	-
Instruction-related activities:			
Supervision of instruction	10,128	334,947	-
School site administration	580,776	7	-
Pupil services:			
Food services	-	-	15,267,285
All other pupil services	921	47,993	-
Administration:			
All other administration	9,470	157,690	797,951
Plant services	313,079	60,002	395,174
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,624,273</b>	<b>2,832,521</b>	<b>16,460,410</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>26,075</b>	<b>53,469</b>	<b>(1,120,831)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Other sources	-	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>26,075</b>	<b>53,469</b>	<b>(1,120,831)</b>
<b>Fund Balance - Beginning</b>	<b>143,395</b>	<b>339,092</b>	<b>2,785,720</b>
<b>Fund Balance - Ending</b>	<b>\$ 169,470</b>	<b>\$ 392,561</b>	<b>\$ 1,664,889</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 14,327,749
-	2,245,235	55,529	-	7,367,417
2,587,653	52,413	7,136,506	110,317	10,368,404
2,587,653	2,297,648	7,192,035	110,317	32,063,570
-	-	-	-	2,941,781
-	-	-	-	345,075
-	-	-	-	580,783
-	-	-	-	15,267,285
-	-	-	-	48,914
62,440	-	-	-	1,027,551
-	-	-	-	768,255
1,933,819	261,940	-	-	2,195,759
-	-	6,325,000	650,000	6,975,000
-	-	3,760,825	3,433,629	7,194,454
1,996,259	261,940	10,085,825	4,083,629	37,344,857
591,394	2,035,708	(2,893,790)	(3,973,312)	(5,281,287)
-	-	-	1,154,496	1,154,496
-	-	1,314,855	8,597,318	9,912,173
(1,200,827)	-	-	-	(1,200,827)
(1,200,827)	-	1,314,855	9,751,814	9,865,842
(609,433)	2,035,708	(1,578,935)	5,778,502	4,584,555
5,283,915	2,059,830	12,279,291	772,823	23,664,066
\$ 4,674,482	\$ 4,095,538	\$ 10,700,356	\$ 6,551,325	\$ 28,248,621

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

#### **Local Education Agency Organization Structure**

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

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

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

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

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

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

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

# **MADERA UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

### **Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

## ***INDEPENDENT AUDITOR'S REPORTS***



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

Governing Board  
Madera Unified School District  
Madera, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Madera Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2019.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Madera Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated December 4, 2019.

## **Madera Unified School District's Response to Finding**

Madera Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Madera Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
December 4, 2019



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Madera Unified School District  
Madera, California

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

We have audited Madera Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Madera Unified School District's major Federal programs for the year ended June 30, 2019. Madera Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Madera Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Madera Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Madera Unified School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Madera Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of Madera Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madera Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Madera Unified School District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
December 4, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Madera Unified School District  
Madera, California

### **Report on State Compliance**

We have audited Madera Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Madera Unified School District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Madera Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Madera Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Madera Unified School District's compliance with those requirements.

### ***Basis for Qualified Opinion on Instructional Time***

As described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, Madera Unified School District did not comply with requirements regarding Instructional Time. Compliance with such requirements is necessary, in our opinion, for Madera Unified School District to comply with the requirements applicable to that program.

### ***Qualified Opinion on Instructional Time***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Madera Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

### ***Unmodified Opinion on Each of the Other Programs***

In our opinion, Madera Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.



Fresno, California  
December 4, 2019

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

# MADERA UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

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### FINANCIAL STATEMENTS

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

### FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 911,935</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	
	<u>Name of Program</u>
	<u>Instructional Time</u>



**MADERA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**MADERA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# MADERA UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code  
40000

AB 3627 Finding Type  
State Compliance

**2019-001      40000**

### ***Instructional Time: School Districts***

#### **Criteria**

With the longer year incentive funding, school districts receive funding for having 180 days or more of school each year the school district participates. The District receives apportionment for longer year incentives prescribed by the provisions of subdivision (a) of the *Education Code* Section 46200.

#### **Condition**

During our audit of instructional time, we determined that all ninth graders in the District did not meet the total number of instructional days required. However, it was noted that all ninth graders did meet the minimum instructional minute requirements.

This is the first year this finding was noted and is not a repeat from a prior year nor was it related to a finding in the previous audit year.

The District, due to this shortage, is subject to the penalty provided in *Education Code* Section 41420(a).

#### **Questioned Cost**

The questioned cost associated with this finding is the Instructional Day Penalty by Grade Span of \$106,350 multiplied by the number of days short (1) equaling \$106,350.

#### **Effect**

The District did not meet the required annual instructional days for the ninth graders to obtain funding.

#### **Cause**

It appears that there was one day during the year that the 10th-12th graders were taking a state test, therefore, the District told all ninth graders in the district not to come to school that day and realized after the fact that the ninth graders were short one day.

## **MADERA UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

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#### **Recommendation**

The District should conduct an in-service to ensure that all the sites understand how to correctly use the instructional minute's calculation, bell schedule(s) and calendar to the District Office so that an independent review of the calculation can be performed to ensure that the site is in compliance with annual minimum minutes requirements. Submitting the calculation at the beginning of the year will allow the site to make adjustments to the bell schedule if the review determines that a site or grade level does not meet the minimum requirement.

#### **Corrective Action Plan**

The District has developed an Attendance Supervisor job description and hired the personnel to oversee and review the District's attendance. In addition, the staff involved in developing the school calendar and bell schedules are aware of the State requirements. For school year 2019-2020, all students are scheduled to attend 180 days.

**MADERA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management  
Madera Unified School District  
Madera, California

In planning and performing our audit of the financial statements of Madera Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2019, on the government-wide financial statements of the District.

#### ***MADERA SOUTH HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

##### ***Sub-Receipts***

###### **Observation**

During our audit of cash receipts, we found multiple instances of teachers and advisors not turning in monies collected to the ASB Bookkeeper in a timely manner. We also noted multiple instances where the sub-receipts being turned in did not match the attached cash count sheet which was given to the bookkeeper. The teachers and advisors were either counting the monies collected incorrectly and/or incorrectly preparing the forms.

###### **Recommendation**

Prenumbered receipts, cash receipts logs, or tally sheets should be issued and used for all cash collections by teachers/advisors which includes the amount, date, the individual making the payment, and the club account to be credited. The cash and sub-receipts should be turned into the bookkeeper in a timely manner, usually within a week but should be more frequently when large amounts of cash have been collected. Also, the teachers and advisors should take better care in correctly counting the monies and ensure all the documentation being turned in match.

##### ***Revenue Potential Forms***

###### **Observation**

Revenue potential forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. During our audit, we found that the Activities Director did not consistently require all clubs to prepare revenue potential forms before the events occurred. We noted multiple instances where only a post event fundraiser recap form was completed.

## **Recommendation**

The revenue potential form is a vital internal control tool; it should be used to document potential revenues and expenditures and also to document actual revenue and expenditures. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all funds due and so forth. The revenue potential form used at the site should contain four major elements. These are:

- **Potential Income**-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from the fundraiser if all the items were sold and all the funds were turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks cost so profits can be determined.
- **Receipts/Fundraiser Deposits**-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor from the bookkeeper, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure all postings were correct.
- **Analysis**-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
- **Recap**-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

## ***Inventory***

### **Observation**

During our audit, we found that inventory items sold were tracked in the ASB Works system for spirit wear, and in a separate POS system for the student store, however, no physical inventory counts were being performed and reconciled to the system balances.

### **Recommendation**

According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at [www.fcmat.org](http://www.fcmat.org), a physical inventory should be taken quarterly under the supervision of the student store advisor and ASB Bookkeeper. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced.

***JEFFERSON MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Disbursements***

**Observation**

In auditing the cash disbursement procedures at the site, we noted several instances where expenditures had approvals dated after the invoice date or did not have purchase orders or requisitions indicating the expenditure was preapproved. Upon follow-up we noted that the site had only one purchase order on file and it had not been completed. All other fundraiser products have been donated by the advisors or vendors are used and they send a profit check to the site.

**Recommendation**

In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased. This will reduce the risk of unauthorized spending and help ensure that ASB clubs have sufficient funds to expend.

***Revenue Potentials***

**Observation**

During our audit, we found that the site is using revenue potential forms for fundraising activities, however, we noted that the Principal's signature is either missing or there is no date of the signature.

**Recommendation**

The site should implement procedures to ensure that all revenue potential forms are properly signed and dated.

***LA VINA ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

During the audit of cash receipts, we found that receipts are not being issued for ASB collections. Without receipts, it is difficult to determine when cash was received, from whom cash was received, and whether bank deposits were made timely and intact.

**Recommendation**

All ASB collections should be recorded in a pre-numbered receipt book. The receipts issued since the last bank deposit should be totaled and reconciled to the current bank deposit. A system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit.



***Timely Deposits***

**Observation**

During our audit of the cash receipts system, we discovered that bank deposits are not always being made timely. We noted monies collected from movie night fundraisers were sometimes held for a month prior to being deposited into the bank account.

**Recommendation**

All money collected by teachers and advisors should be brought to the front office to be stored in the safe on a daily basis. Deposits to the bank should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit.

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Fresno, California  
December 4, 2019