# MADERA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**JUNE 30, 2017**

**MADERA UNIFIED SCHOOL DISTRICT**

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**MADERA UNIFIED SCHOOL DISTRICT**

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

# *FINANCIAL SECTION*

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants



# 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, 2017, 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 *2016-2017 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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***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, 2017, 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 15, budgetary comparison schedule on page 68, schedule of other postemployment benefits funding progress on page 69, schedule of the district's proportionate share of net pension liability on page 70, and the schedule of district contributions on page 71, 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 November 27, 2017, 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.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
November 27, 2017

**MADERA UNIFIED SCHOOL DISTRICT**
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## 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, 2017.

## 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.

**Figure A-1. Organization of Madera Unified's Annual Financial Report**

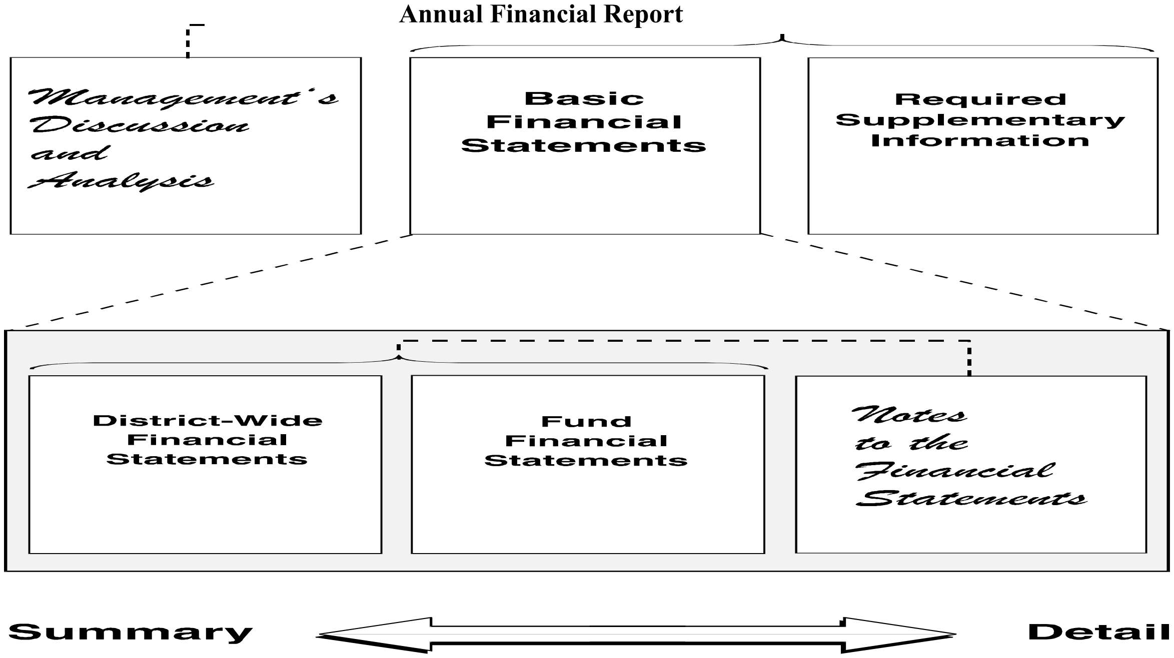



Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

| | | Fund Statements | |
|---|---|---|---|
| *Type of Statements* | **District-wide** | **Governmental Funds** | **Fiduciary Funds** |
| 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 | •statement of net position<br><br>•statement of activities | •balance sheet<br><br>•statement of revenues, expenditures & changes in fund balances<br><br>•reconciliation to government-wide financial statements | •statement of fiduciary net position<br><br>•statement of changes in fiduciary net position |

| | | Fund Statements | |
|---|---|---|---|
| *Type of Statements* | **District-wide** | **Governmental Funds** | **Fiduciary Funds** |
| 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 i 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.

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.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net position.** The District's combined net position was $103.7 million on June 30, 2017, increasing by $16.6 million (see Table A-1).

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

| | Governmental Activities | | |
|---|---|---|---|
| | 2017 | 2016 | Change |
| **Assets** | | | |
| Current and Other Assets | $ 200.6 | $ 146.2 | $ 54.4 |
| Capital Assets | 237.4 | 201.9 | 35.5 |
| **Total Assets** | 438.0 | 348.1 | 89.9 |
| **Deferred Outflows of Resources** | 43.9 | 37.1 | 6.8 |
| **Liabilities** | | | |
| Long-Term Obligations Outstanding | 172.2 | 104.5 | 67.7 |
| Other Liabilities | 26.2 | 26.2 | - |
| Net Pension Liability | 175.3 | 140.1 | 35.2 |
| **Total Liabilities** | 373.7 | 270.8 | 102.9 |
| **Deferred Inflows of Resources** | 4.5 | 27.3 | (22.8) |
| **Net Position** | | | |
| Net Investment in Capital Assets | 138.4 | 121.8 | 16.6 |
| Restricted | 28.3 | 26.0 | 2.3 |
| Unrestricted | (63.0) | (60.7) | (2.3) |
| **Total Net Position** | $ 103.7 | $ 87.1 | $ 16.6 |

**Changes in net position.** The District's total governmental revenues were $265.0 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 $180.0 million and property taxes contributing about $33.1 million. Another $45.3 million came from categorical programs, $0.6 million came from fees charged for services, and $6.0 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was $248.4 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 $16.6 million over last year. Governmental activities contributed to the District's healthier fiscal status.

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

| | Governmental Activities | | |
|---|---|---|---|
| | 2017 | 2016 | Change |
| **Revenues** | | | |
| General Revenues: | | | |
| Federal and State Aid Formula | $ 180.0 | $ 172.3 | $ 7.7 |
| Property Taxes | 33.1 | 30.0 | 3.1 |
| Other | 6.0 | 6.4 | (0.4) |
| Program Revenues: | | | |
| Charges for Services | 0.6 | 1.7 | (1.1) |
| Categorical Programs | 45.3 | 42.7 | 2.6 |
| **Total Revenues** | 265.0 | 253.1 | 11.9 |
| **Expenses** | | | |
| Instruction Related | 167.3 | 150.2 | 17.1 |
| Pupil Services | 32.5 | 28.5 | 4.0 |
| General Administration | 14.6 | 12.3 | 2.3 |
| Plant Services | 22.6 | 21.2 | 1.4 |
| Other | 11.4 | 10.0 | 1.4 |
| **Total Expenses** | 248.4 | 222.2 | 26.2 |
| **Increase in Net Position** | **$ 16.6** | **$ 30.9** | **$ (14.3)** |

## 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, all other pupil services, general administration, plant services, and other costs. 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.

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

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Instruction | $ 167.3 | $ 150.2 | $ 140.9 | $ 122.9 |
| Student Transportation | 7.1 | 7.0 | 7.0 | 6.9 |
| Food Services | 12.6 | 11.2 | 0.1 | 0.1 |
| All Other Pupil Services | 12.8 | 10.3 | 11.1 | 8.4 |
| General Administration | 14.6 | 12.3 | 13.1 | 10.9 |
| Plant Services | 22.6 | 21.2 | 21.8 | 20.9 |
| Other | 11.4 | 10.0 | 8.5 | 7.6 |
| **Total** | **$ 248.4** | **$ 222.2** | **$ 202.5** | **$ 177.7** |

## 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 $174.4 million which was an increase of $54.4 million over the prior year. The primary reasons for the increase were:

- The increase in the General Fund Balance of $1.6 million is due primarily to an increase in Local Control Funding Formula revenues.
- The capital project funds increased by $46.9 million due primarily to a General Fund contribution for future facilities needs and the issuance of two new General Obligation Bonds.
- The debt service funds increased by $7.0 million as local tax revenues exceeded current required bond payments.
- The special revenue funds decreased by $1.1 million. A decrease in the Adult Education Fund of about $1.0 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 four 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 2017-2018, the committee will contain three Governing Board members, three community members, and ten District administrators. Our goal is transparency, timely information, and community and District input.

The District budgeted a decrease in General Fund balance of approximately $11.1 million. Revenues and transfers in were approximately $5.1 million less than budgeted, but expenditures and transfers out were approximately $17.8 million less than budgeted, leaving the fund with an increase of approximately $1.6 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2017, the District had invested $237.4 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 $35.5 million (net of accumulated depreciation) over last year.

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

| | Governmental Activities | | Total Percentage |
|---|---|---|---|
| | 2017 | 2016 | Change |
| Land | $ 13.8 | $ 13.8 | 0.0% |
| Site Improvements | 14.0 | 13.7 | 2.2% |
| Construction in Progress | 39.3 | 7.5 | 424.0% |
| Buildings | 159.4 | 156.9 | 1.6% |
| Furniture and Equipment | 10.9 | 10.0 | 9.0% |
| **Total** | **$ 237.4** | **$ 201.9** | **17.6%** |

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

## LONG-TERM OBLIGATIONS

At year-end the District had $172.2 million long-term obligations outstanding – an increase of 64.8 percent from last year (see Table A-5).

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

| | Governmental Activities | | Total Percentage |
|---|---|---|---|
| | 2017 | 2016 | Change |
| General Obligation Bonds | $ 148.0 | $ 78.2 | 89.3% |
| Certificates of Participation | 14.7 | 15.3 | -3.9% |
| Capital Leases Payable | 3.2 | 3.9 | -17.9% |
| Early Retirement | 1.9 | 2.5 | -24.0% |
| Compensated Absences | 0.6 | 0.5 | 20.0% |
| Other Postemployment Benefits | 3.8 | 4.0 | -5.0% |
| State Preschool Loan | - | 0.1 | -100.0% |
| **Total** | **$ 172.2** | **$ 104.5** | **64.8%** |

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.

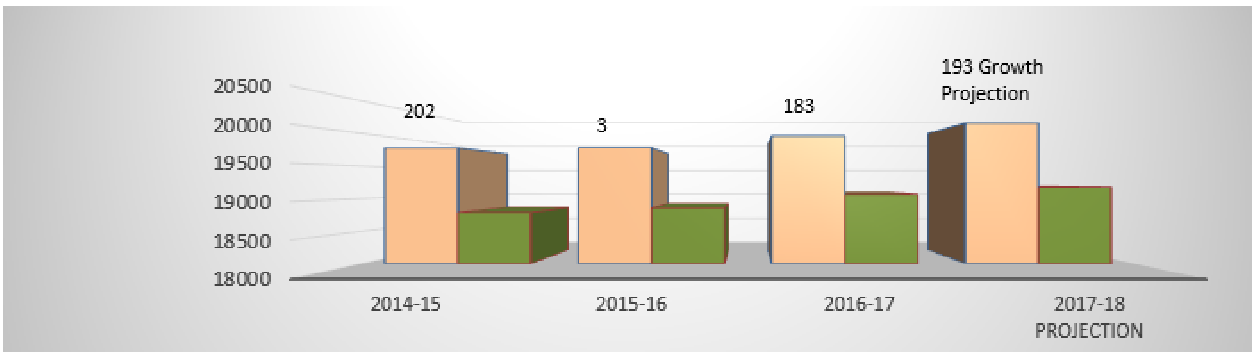
## NET PENSION LIABILITY (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of $43.9 million, Deferred Inflows from pension activities of $4.5 million, and a Net Pension Liability of $175.3 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

## 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, until full implementation of the LCFF in 2020-2021. The list below are factors that could impact financial stability in the future:

- The District had enrollment growth in 2016-2017. Our attendance rate was 95.5 percent. Madera Unified encourages students to improve attendance and we implemented a student attendance incentive program in 2016-2017.




| | 2014-15 | 2015-16 | 2016-17 | 2017-18 Projection |
|---|---|---|---|---|
| Enrollment CBED | 19775 | 19778 | 19961 | 20154 |
| P2 ADA | 18787 | 18859 | 19064 | 19177 |

- The District completed salary negotiations with our labor partners for the 2016-2017 and 2017-2018 school years. Salary increases for those two years are between four percent and three percent, depending on the bargaining unit.

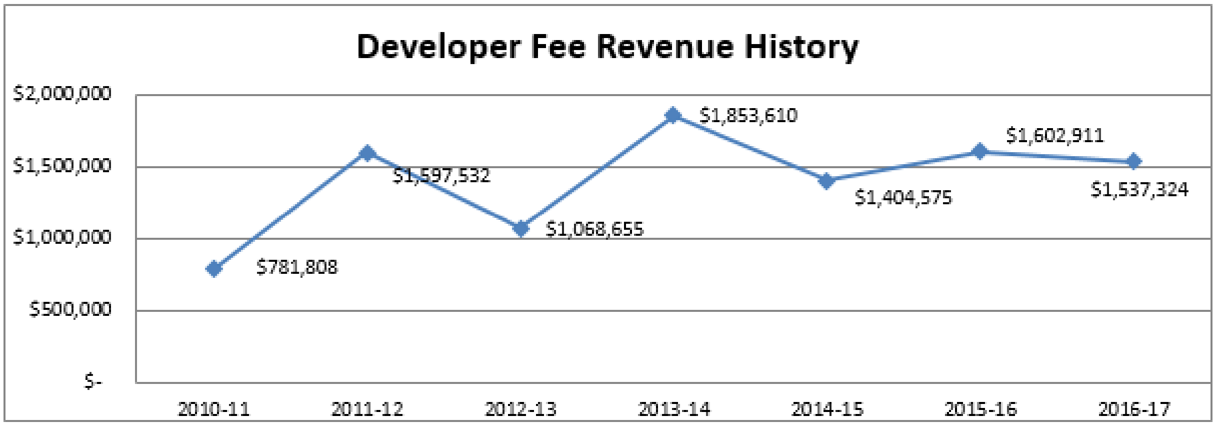
- We have a 12 Year Facilities Master Plan that our Governing Board approved in September of 2016. This plan will be our road map for building schools, modernization and purchasing land for future growth.

- Madera Unified has set a target for a student to computer device ratio of 1:1. Devices have been prioritized by site and will be ordered will full implementation in the beginning of 2017-2018.

- Increases in STRS and PERS costs continue to be monitored and are a major concern of the District. Multiyear projections will continue to include increases to Special Education and potential Cadillac Tax rules.

- K-3 class size reduction continues, and our District is moving toward a 24:1 ratio, per LCFF.

- Developer Fee revenue was slightly lower in 2016-2017. The County of Madera has many projects on the horizon, including California High Speed Rail and a Casino. We expect continued housing growth. These revenues will be spent on facilities for students, and other District needs.




- Maintain Board Policy of ten percent reserves. The Governing Board adopted a new Minimum Fund Balance resolution on March 14, 2017. Lowering our reserve will protect Madera Unified against the need to reduce service levels due to one-time expenditures that are needed. Although our minimum balance policy has been lowered to ten percent, the District history has a higher reserve percentage and fluctuations above ten percent are expected.
- Continue to maintain facilities and fund Deferred Maintenance at a full three percent of the District's budget. Madera Unified completed several facility projects as listed below. We will continue to complete additional projects in the upcoming year.

## COLLEGE AND CAREER READINESS

Madera Unified School District is working together with students, teachers, staff, parents, and community partners to ensure every student is prepared for College, equipped for Career, and empowered with Character. The College and Career Readiness guiding principal is to ensure all students are given an equal opportunity to graduate, with the greatest number of postsecondary choices, from the widest array of options.

## 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 Adele Nikkel, CFO - Madera Unified School District, 1902 Howard Road, Madera, California 93637.

## MADERA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION
## JUNE 30, 2017

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 192,588,374 |
| Receivables | 7,146,809 |
| Prepaid expenses | 153,008 |
| Stores inventories | 723,942 |
| Nondepreciable capital assets | 53,120,040 |
| Capital assets being depreciated | 282,875,276 |
| Accumulated depreciation | (98,633,255) |
| **Total Assets** | 437,974,194 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows of resources related to pensions | 43,940,551 |
| **LIABILITIES** | |
| Accounts payable | 23,383,116 |
| Unearned revenue | 2,818,296 |
| Long-term obligations: | |
| Current portion of long-term obligations other than pensions | 7,298,260 |
| Noncurrent portion of long-term obligations other than pensions | 164,886,220 |
| Total Long-Term Obligations | 172,184,480 |
| Aggregate net pension liability | 175,291,593 |
| **Total Liabilities** | 373,677,485 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows of resources related to pensions | 4,512,546 |
| **NET POSITION** | |
| Net investment in capital assets | 138,385,701 |
| Restricted for: | |
| Debt service | 14,920,872 |
| Capital projects | 6,560,328 |
| Educational programs | 3,346,392 |
| Other activities | 3,533,009 |
| Unrestricted | (63,021,588) |
| **Total Net Position** | $ 103,724,714 |

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

## MADERA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2017

| | | Program Revenues | |
|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services and Sales | Operating Grants and Contributions |
| **Governmental Activities:** | | | |
| Instruction | $ 137,392,874 | $ 21,500 | $ 20,937,152 |
| Instruction-related activities: | | | |
| Supervision of instruction | 10,260,101 | 439 | 4,340,135 |
| Instructional library, media, and technology | 3,408,131 | 1,089 | 103,487 |
| School site administration | 16,253,307 | 752 | 976,692 |
| Pupil services: | | | |
| Home-to-school transportation | 7,092,903 | 9,587 | 43,888 |
| Food services | 12,653,695 | 91,480 | 12,617,850 |
| All other pupil services | 12,774,910 | 105 | 1,697,951 |
| Administration: | | | |
| Data processing | 3,819,952 | - | - |
| All other administration | 10,779,338 | 5,356 | 1,438,818 |
| Plant services | 22,585,342 | 2,989 | 764,583 |
| Ancillary services | 3,396,524 | - | 52,895 |
| Community services | 30,344 | - | 327 |
| Enterprise services | 221,267 | - | - |
| Interest on long-term obligations | 4,638,587 | - | - |
| Other outgo | 3,082,371 | 449,043 | 2,307,768 |
| **Total Governmental Activities** | $ 248,389,646 | $ 582,340 | $ 45,281,546 |

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
- Miscellaneous

**Subtotal, General Revenues**

**Change in Net Position**

Net Position - Beginning

Net Position - Ending

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

| Net (Expenses) Revenues and Changes in Net Position |
|---|
| Governmental Activities |
| $ (116,434,222) |
| |
| (5,919,527) |
| (3,303,555) |
| (15,275,863) |
| |
| (7,039,428) |
| 55,635 |
| (11,076,854) |
| |
| (3,819,952) |
| (9,335,164) |
| (21,817,770) |
| (3,343,629) |
| (30,017) |
| (221,267) |
| (4,638,587) |
| (325,560) |
| (202,525,760) |
| |
| 24,725,398 |
| 7,548,773 |
| 792,120 |
| 180,052,806 |
| 920,028 |
| 463,922 |
| 4,594,772 |
| 219,097,819 |
| 16,572,059 |
| 87,152,655 |
| $ 103,724,714 |

## MADERA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS
## BALANCE SHEET
## JUNE 30, 2017

| | General Fund | Building Fund | Special Reserve Capital Outlay Fund |
|---|---|---|---|
| **ASSETS** | | | |
| Deposits and investments | $ 74,704,229 | $ 68,932,118 | $ 25,436,355 |
| Receivables | 4,572,511 | - | - |
| Due from other funds | 27,338 | - | 544,737 |
| Prepaid expenditures | 153,008 | - | - |
| Stores inventories | 482,902 | - | - |
| **Total Assets** | $ 79,939,988 | $ 68,932,118 | $ 25,981,092 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities:** | | | |
| Accounts payable | $ 19,930,144 | $ 1,449,933 | $ 1,495,606 |
| Due to other funds | 61,424 | 544,737 | - |
| Unearned revenue | 2,647,422 | - | - |
| **Total Liabilities** | 22,638,990 | 1,994,670 | 1,495,606 |
| **Fund Balances:** | | | |
| Nonspendable | 660,910 | - | - |
| Restricted | 2,788,967 | 66,937,448 | - |
| Committed | - | - | - |
| Assigned | 8,596,914 | - | 24,485,486 |
| Unassigned | 45,254,207 | - | - |
| **Total Fund Balances** | 57,300,998 | 66,937,448 | 24,485,486 |
| **Total Liabilities and Fund Balances** | $ 79,939,988 | $ 68,932,118 | $ 25,981,092 |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| $ 23,515,672 | $ 192,588,374 |
| 2,574,298 | 7,146,809 |
| 61,424 | 633,499 |
| - | 153,008 |
| 241,040 | 723,942 |
| $ 26,392,434 | $ 201,245,632 |
| | |
| $ 507,433 | $ 23,383,116 |
| 27,338 | 633,499 |
| 170,874 | 2,818,296 |
| 705,645 | 26,834,911 |
| | |
| 246,180 | 907,090 |
| 25,327,454 | 95,053,869 |
| 113,155 | 113,155 |
| - | 33,082,400 |
| - | 45,254,207 |
| 25,686,789 | 174,410,721 |
| | |
| $ 26,392,434 | $ 201,245,632 |

# MADERA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
## JUNE 30, 2017

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | **$ 174,410,721** |
| **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 | $ 335,995,316 | |
| Accumulated depreciation is | (98,633,255) | |
| Net Capital Assets | | 237,362,061 |
| Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. | | 15,311,196 |
| The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. | | 9,726,102 |
| The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. | | 17,102,944 |
| The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. | | (1,454,644) |
| The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. | | (1,257,593) |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (175,291,593) |

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

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued
## JUNE 30, 2017

| | | |
|---|---|---|
| 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 | $ 147,998,872 | |
| Certificates of participation | 14,690,000 | |
| State preschool loan program | 18,735 | |
| Compensated absences (vacations) | 543,671 | |
| District early retirement program | 104,285 | |
| PARS early retirement program | 1,826,391 | |
| Capital leases payable | 3,206,201 | |
| Other postemployment benefits (OPEB) | 3,796,325 | |
| Total Long-Term Obligations | | $ (172,184,480) |
| **Total Net Position - Governmental Activities** | | **$ 103,724,714** |

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, 2017

| | General Fund | Building Fund |
|---|---|---|
| **REVENUES** | | |
| Local Control Funding Formula | $ 196,948,721 | $ - |
| Federal sources | 13,571,321 | - |
| Other State sources | 18,126,459 | - |
| Other local sources | 5,822,123 | 118,999 |
| **Total Revenues** | 234,468,624 | 118,999 |
| **EXPENDITURES** | | |
| Current | | |
| Instruction | 126,819,076 | - |
| Instruction-related activities: | | |
| Supervision of instruction | 9,567,791 | - |
| Instructional library, media and technology | 3,274,805 | - |
| School site administration | 14,999,541 | - |
| Pupil services: | | |
| Home-to-school transportation | 6,666,428 | - |
| Food services | 5,882 | - |
| All other pupil services | 12,203,228 | - |
| Administration: | | |
| Data processing | 3,607,223 | - |
| All other administration | 9,529,116 | - |
| Plant services | 21,068,513 | 16,800 |
| Facility acquisition and construction | 6,359,929 | 17,279,206 |
| Ancillary services | 3,365,438 | - |
| Community services | 29,926 | - |
| Other outgo | 3,082,371 | - |
| Enterprise services | 218,246 | - |
| Debt service | | |
| Principal | 673,081 | - |
| Interest and other | 130,944 | 554,800 |
| **Total Expenditures** | 221,601,538 | 17,850,806 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 12,867,086 | (17,731,807) |
| **Other Financing Sources (Uses)** | | |
| Transfers in | 39,609 | - |
| Other sources | - | 67,350,589 |
| Transfers out | (11,260,386) | - |
| **Net Financing Sources (Uses)** | (11,220,777) | 67,350,589 |
| **NET CHANGE IN FUND BALANCES** | 1,646,309 | 49,618,782 |
| **Fund Balance - Beginning** | 55,654,689 | 17,318,666 |
| **Fund Balance - Ending** | $ 57,300,998 | $ 66,937,448 |

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

| Special Reserve Capital Outlay Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ - | $ 196,948,721 |
| - | 12,811,566 | 26,382,887 |
| - | 4,105,506 | 22,231,965 |
| 473,172 | 16,878,810 | 23,293,104 |
| 473,172 | 33,795,882 | 268,856,677 |
| | | |
| - | 2,230,590 | 129,049,666 |
| | | |
| - | 298,467 | 9,866,258 |
| - | - | 3,274,805 |
| - | 513,899 | 15,513,440 |
| | | |
| - | - | 6,666,428 |
| - | 13,041,893 | 13,047,775 |
| - | 45,144 | 12,248,372 |
| | | |
| - | - | 3,607,223 |
| - | 760,036 | 10,289,152 |
| 135,975 | 686,418 | 21,907,706 |
| 10,047,657 | 6,226,942 | 39,913,734 |
| - | - | 3,365,438 |
| - | - | 29,926 |
| - | - | 3,082,371 |
| - | - | 218,246 |
| | | |
| - | 6,408,735 | 7,081,816 |
| - | 1,969,542 | 2,655,286 |
| 10,183,632 | 32,181,666 | 281,817,642 |
| (9,710,460) | 1,614,216 | (12,960,965) |
| | | |
| 11,177,217 | 1,268,379 | 12,485,205 |
| - | - | 67,350,589 |
| - | (1,224,819) | (12,485,205) |
| 11,177,217 | 43,560 | 67,350,589 |
| 1,466,757 | 1,657,776 | 54,389,624 |
| 23,018,729 | 24,029,013 | 120,021,097 |
| $ 24,485,486 | $ 25,686,789 | $ 174,410,721 |

# 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, 2017

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | **$ 54,389,624** |
| **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 | $ 42,926,033 | |
| Depreciation expense | (7,494,646) | |
| Net Expense Adjustment | | 35,431,387 |
| 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 $565,971. Vacation earned was more than the amounts paid by $29,415. | | 536,556 |
| 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. | | (5,533,043) |
| Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: | | 214,831 |
| Proceeds received from the sale of Bonds 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. | | (67,501,000) |
| 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 | | 5,770,000 |
| Certificates of participation | | 605,000 |
| State preschool loan program | | 33,735 |
| Capital lease obligations | | 673,081 |

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

# 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, 2017

| | |
|---|---|
| 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. | |
| Initial premium on bond issuance | $ (6,519,169) |
| Amortization of bond premiums | 454,358 |
| 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. | (1,983,301) |
| **Change in Net Position of Governmental Activities** | **$ 16,572,059** |

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

## MADERA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS
## STATEMENT OF NET POSITION
## JUNE 30, 2017

| | Scholarship Trusts | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Deposits and investments | $ 85,539 | $ 422,575 |
| Accounts receivable | 1,500 | - |
| **Total Assets** | 87,039 | $ 422,575 |
| **LIABILITIES** | | |
| Due to student groups | | |
| Dixieland | - | $ 7,138 |
| Jefferson | - | 23,515 |
| King | - | 29,345 |
| La Vina | - | 4,060 |
| Washington | - | 2,496 |
| Madera High | - | 138,504 |
| Mountain Vista High | - | 4,243 |
| Desmond Middle | - | 16,756 |
| Madera South High | - | 196,518 |
| **Total Liabilities** | - | $ 422,575 |
| **NET POSITION - RESERVED** | | |
| Lorraine Thompson Scholarship | 38,651 | |
| Student Government Scholarship | 1,670 | |
| Albonico Scholarship | 8,900 | |
| Ray Pool Scholarship | 7,000 | |
| K. Roberts Memorial Scholarship | - | |
| R. Scott Memorial Scholarship | - | |
| Science & Health Scholarship | 44 | |
| E. L. L. Scholarship | - | |
| Binger Scholarship | 2,385 | |
| J. Desmond Scholarship | - | |
| J. Hinton Scholarship | - | |
| Cadenazzi Roberts Scholarship | 619 | |
| School of Business Scholarship | - | |
| Michael A Wong Class 85' Scholarship | 2,000 | |
| Joan Davis Scholarship | 425 | |
| Dave Schoettler Memorial Scholarship | 40 | |
| Madera Lions Club | 6,352 | |
| Audrey Pool | 6,571 | |
| F.F.A Memorial Fund | 2,382 | |
| M Wong Class of 85' MSHS | 1,000 | |
| Juan Garcia Farmworker Scholarship | 9,000 | |
| **Total Net Position** | $ 87,039 | |

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, 2017

| | Scholarship Trusts |
|---|---|
| **ADDITIONS** | |
| Private donations and earnings | |
| Lorraine Thompson Scholarship | $ - |
| Student Government Scholarship | - |
| Albonico Scholarship | - |
| E. L. L. Scholarship | - |
| Ray Pool Scholarship | 6,000 |
| J. Desmond Scholarship | - |
| Michael A Wong Class 85' Scholarship | 1,000 |
| Dave Schoettler Memorial Scholarship | - |
| K. Roberts Memorial Scholarship | - |
| J. Hinton Scholarship | 500 |
| Science & Health Scholarship | - |
| Binger Scholarship | 23 |
| Cardenazzi Roberts Scholarship | 6 |
| Rodger Scott Mem Scholarship | - |
| School of Business Scholarship | - |
| Joan Davis Scholarship | - |
| Madera Lions Club | 63 |
| Juan Garcia Farmworker Scholarship | 8,400 |
| Audrey Pool (MSHS) | 5,071 |
| F.F.A Memorial Fund (MSHS) | - |
| M Wong Class of 85' Scholarship (MSHS) | 1,000 |
| **Total Additions** | 22,063 |

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

## FIDUCIARY FUNDS - SCHOLARSHIP TRUSTS
## STATEMENT OF CHANGES IN NET POSITION, Continued
## FOR THE YEAR ENDED JUNE 30, 2017

| | Scholarship Trusts |
|---|---|
| **DEDUCTIONS** | |
| Scholarships awarded and other expenditures | |
| Lorraine Thompson Scholarship | $ - |
| Student Government Scholarship | 200 |
| Albonico Scholarship | - |
| E.L.L. Scholarship | 125 |
| Ray Pool Scholarship | 4,000 |
| J. Desmond Scholarship | 120 |
| Michael A. Wong Class 85' Scholarship | 1,000 |
| Dave Schoettler Mem Scholarship | - |
| K. Roberts Memorial Scholarship | 120 |
| J. Hinton Scholarship | 500 |
| Science & Health Scholarship | - |
| Binger Scholarship | - |
| Cardenazzi Roberts Scholarship | - |
| Rodger Scott Mem Scholarship | 600 |
| School of Business Scholarship | 500 |
| Joan Davis Scholarship | 500 |
| Madera Lions Club | 5,000 |
| Juan Garcia Farmworker Scholarship | 6,600 |
| Audrey Pool Scholarship | 4,000 |
| F.F.A Memorial Fund Scholarship | - |
| M. Wong Class of 85' Scholarship (MSHS) | 1,000 |
| **Total Deductions** | 24,265 |
| **Change in Net Position** | (2,202) |
| **Net Position - Beginning** | 89,241 |
| **Net Position - Ending** | $ 87,039 |

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

## 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 seventeen elementary schools, three middle schools, two comprehensive high schools, two alternative education schools, 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.

### Basis of Presentation - Fund Accounting

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

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

### Major Governmental Funds

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

**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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

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

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

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

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

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

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.

**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, 2017, 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**

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, 2017, the District had $153,008 of prepaid expenditures 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.

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.

**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.

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.

**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.

**Fund Balances - Governmental Funds**

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

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

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business 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 $28,360,601 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.

**Estimates**

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

**Budgetary Data**

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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.

**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.

**Change in Accounting Principles**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**New Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

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 reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental activities | $ 192,588,374 |
| Fiduciary funds | 508,114 |
| Total Deposits and Investments | $ 193,096,488 |

Deposits and investments as of June 30, 2017, consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 476,299 |
| Cash in revolving | 30,140 |
| Investments | 192,590,049 |
| Total Deposits and Investments | $ 193,096,488 |

### Policies and Practices

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

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

**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.

**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 |
|---|---|---|---|---|---|
| County Pool | $ 192,029,876 | $ - | $ - | $ 192,029,876 | $ - |

**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, 2017, $264,185 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.

## 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, 2017, consisted of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

| | General Fund | Non-Major Governmental Funds | Total | Scholarship Trusts |
|---|---|---|---|---|
| Federal Government | | | | |
| Categorical aid | $ 1,471,131 | $ 1,970,377 | $ 3,441,508 | $ - |
| State Government | | | | |
| State grants and entitlements | 2,511,464 | 420,960 | 2,932,424 | - |
| Local Sources | 589,916 | 182,961 | 772,877 | 1,500 |
| Total Fund Statements | $ 4,572,511 | $ 2,574,298 | $ 7,146,809 | $ 1,500 |

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, are as follows:

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets not being depreciated | | | | |
| Land | $ 13,763,332 | $ - | $ - | $ 13,763,332 |
| Construction in progress | 7,515,064 | 33,541,076 | 1,699,432 | 39,356,708 |
| Total Capital Assets Not Being Depreciated | 21,278,396 | 33,541,076 | 1,699,432 | 53,120,040 |
| Capital Assets being depreciated | | | | |
| Land improvements | 18,862,416 | 1,204,964 | - | 20,067,380 |
| Buildings and improvements | 225,817,236 | 6,979,000 | - | 232,796,236 |
| Furniture and equipment | 27,482,160 | 2,900,425 | 370,925 | 30,011,660 |
| Total Capital Assets Being Depreciated | 272,161,812 | 11,084,389 | 370,925 | 282,875,276 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 5,170,855 | 905,804 | - | 6,076,659 |
| Buildings and improvements | 68,885,354 | 4,541,453 | - | 73,426,807 |
| Furniture and equipment | 17,453,325 | 2,047,389 | 370,925 | 19,129,789 |
| Total Accumulated Depreciation | 91,509,534 | 7,494,646 | 370,925 | 98,633,255 |
| Governmental Activities Capital Assets, Net | $ 201,930,674 | $ 37,130,819 | $ 1,699,432 | $ 237,362,061 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Governmental Activities | |
| Instruction | $ 4,047,109 |
| School Administration | 149,893 |
| Pupil Transportation | 1,498,929 |
| Food Services | 74,946 |
| General Administration | 449,679 |
| Data Processing Services | 374,732 |
| Plant Maintenance and Operations | 899,358 |
| Total Depreciation Expenses, Governmental Activities | $ 7,494,646 |

## 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, 2017, between major and non-major governmental funds are as follows:

| | Interfund Receivables | Interfund Payables |
|---|---|---|
| Major Governmental Funds | | |
| General | $ 27,338 | $ 61,424 |
| Building | - | 544,737 |
| Special Reserve Capital Outlay | 544,737 | - |
| Total Major Governmental Funds | 572,075 | 606,161 |
| Non-Major Governmental Funds | | |
| Adult Education | 90 | 1,607 |
| Child Development | - | 7,450 |
| Cafeteria | 61,334 | 18,281 |
| Total Non-Major Governmental Funds | 61,424 | 27,338 |
| Total All Governmental Funds | $ 633,499 | $ 633,499 |

| | |
|---|---|
| The General Fund owes the Adult Education Non-Major Governmental Fund for adjustments to payroll expense. | $ 90 |
| The General Fund owes the Cafeteria Non-Major Governmental Fund for indirect costs. | 61,334 |
| The Adult Education Non-Major Governmental Fund owes the General Fund for adjustments to payroll expense. | 1,607 |
| The Child Development Non-Major Governmental Fund owes the General Fund for adjustments to indirect costs. | 7,450 |
| The Cafeteria Non-Major Governmental Fund owes the General Fund for adjustments to bad debt expense. | 18,281 |
| The Building Fund owes the Special Reserve Capital Outlay Fund for construction project costs. | 544,737 |
| Total | $ 633,499 |

**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, 2017, consist of the following:

| | |
|---|---|
| The General Fund transferred to the Special Reserve Capital Outlay Fund for future new school construction needs. | $ 11,177,217 |
| The General Fund transferred to the Cafeteria Non-Major Governmental Fund for bad debt expense. | 83,169 |
| The Capital Facilities Non-Major Governmental Fund transferred to the General Fund for the three percent developer fee. | 39,609 |
| The Capital Facilities Non-Major Governmental Fund transferred to the COP Debt Service Non-Major Governmental Fund for current debt service payments. | 1,185,210 |
| Total | $ 12,485,205 |

## NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consist of the following:

| | General Fund | Building Fund | Special Reserve Capital Outlay Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Vendor payables | $ 5,751,557 | $ 1,449,933 | $ 1,495,606 | $ 382,317 | $ 9,079,413 |
| Deferred payroll | 6,158,744 | - | - | 121,881 | 6,280,625 |
| State principal apportionment | 495,028 | - | - | - | 495,028 |
| Health and welfare benefits | 6,054,105 | - | - | 694 | 6,054,799 |
| Accrued salaries | 1,470,710 | - | - | 2,541 | 1,473,251 |
| Total | $ 19,930,144 | $ 1,449,933 | $ 1,495,606 | $ 507,433 | $ 23,383,116 |

## NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Federal financial assistance | $ 251,265 | $ - | $ 251,265 |
| State categorical aid | 2,374,042 | 170,874 | 2,544,916 |
| Local sources | 22,115 | - | 22,115 |
| Total | $ 2,647,422 | $ 170,874 | $ 2,818,296 |

## 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, 2016 | Additions | Deductions | Balance June 30, 2017 | Due in One Year |
|---|---|---|---|---|---|
| General obligation bonds-2005 | | | | | |
| Capital Appreciation Bonds | $ 23,366,921 | $ 1,194,695 | $ - | $ 24,561,616 | $ - |
| General obligation bonds-2006 | | | | | |
| Capital Appreciation Bonds | 3,090,718 | 151,451 | - | 3,242,169 | - |
| General obligation bonds-2007 | | | | | |
| Current Interest Bonds | 1,120,000 | - | 1,120,000 | - | - |
| Capital Appreciation Bonds | 14,070,190 | 637,155 | - | 14,707,345 | - |
| Premium | 43,566 | - | 43,566 | - | - |
| 2012 Refunding general | | | | | |
| obligation bonds | 11,715,000 | - | 450,000 | 11,265,000 | 510,000 |
| Premium | 419,095 | - | 32,238 | 386,857 | - |
| 2014 Refunding general | | | | | |
| obligation bonds | 15,195,000 | - | 1,770,000 | 13,425,000 | 3,085,000 |
| Premium | 1,999,522 | - | 249,940 | 1,749,582 | - |
| General obligation bonds-2015 | | | | | |
| Current Interest Bonds | 7,000,000 | - | 2,430,000 | 4,570,000 | 2,720,000 |
| Premium | 199,748 | - | 99,874 | 99,874 | - |
| General obligation bonds-2016 | | | | | |
| Current Interest Bonds | - | 4,501,000 | - | 4,501,000 | - |
| Premium | - | 272,249 | 10,890 | 261,359 | - |
| General obligation bonds-2017 | | | | | |
| Current Interest Bonds | - | 63,000,000 | - | 63,000,000 | - |
| Premium | - | 6,246,920 | 17,850 | 6,229,070 | - |
| Certificates of participation-2014 | 15,295,000 | - | 605,000 | 14,690,000 | 630,000 |
| State Preschool Revolving Loan | 52,470 | - | 33,735 | 18,735 | 18,735 |
| Compensated absences - net | 514,256 | 29,415 | - | 543,671 | - |
| District early retirement program | 213,658 | 54,717 | 164,090 | 104,285 | - |
| PARS early retirement program | 2,282,989 | - | 456,598 | 1,826,391 | - |
| Capital leases | 3,879,282 | - | 673,081 | 3,206,201 | 334,525 |
| Other postemployment benefits | 4,011,156 | 2,655,702 | 2,870,533 | 3,796,325 | - |
| Total | $ 104,468,571 | $ 78,743,304 | $ 11,027,395 | $ 172,184,480 | $ 7,298,260 |

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments on the State Preschool Revolving Loan are made by Child Development Fund. 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, 2016 | Issued/ Accreted | Redeemed/ Defeased | Bonds Outstanding June 30, 2017 |
|---|---|---|---|---|---|---|---|
| **Current Interest Bonds:** | | | | | | | |
| 2006 - Series 2007 General Obligation Bonds | | | | | | | |
| 3/1/07 | 8/2007-8/2016 | 4.0-5.0% | $ 18,690,000 | $ 1,120,000 | $ - | $ 1,120,000 | $ - |
| 2012 - Refunding General Obligation Bonds | | | | | | | |
| 2/22/12 | 8/2012-8/2028 | 2.0-3.625% | 12,925,000 | 11,715,000 | - | 450,000 | 11,265,000 |
| 2014 - Refunding General Obligation Bonds | | | | | | | |
| 12/3/14 | 8/2015-8/2024 | 3.0-5.0% | 15,535,000 | 15,195,000 | - | 1,770,000 | 13,425,000 |
| 2014 - Series 2015 General Obligation Bonds | | | | | | | |
| 9/1/15 | 8/2016-8/2018 | 2.0-4.0% | 7,000,000 | 7,000,000 | - | 2,430,000 | 4,570,000 |
| 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 | - | 63,000,000 |
| **Capital Appreciation Bonds:** | | | | | | | |
| 2002 - Series 2005 General Obligation Bonds: | | | | | | | |
| 5/1/05 | 8/2018-8/2029 | 4.77-5.23% | 13,329,104 | 23,366,921 | 1,194,695 | - | 24,561,616 |
| 2002 - Series 2006 General Obligation Bonds | | | | | | | |
| 3/1/06 | 8/1/2029 | 4.68-4.68% | 1,885,059 | 3,090,718 | 151,451 | - | 3,242,169 |
| 2006 - Series 2007 General Obligation Bonds | | | | | | | |
| 3/1/07 | 8/2024-8/2031 | 4.41-4.52% | 9,308,839 | 14,070,190 | 637,155 | - | 14,707,345 |
| | Total | | | $ 75,557,829 | $ 69,484,301 | $ 5,770,000 | $ 139,272,130 |

**Debt Service Requirements to Maturity**

2012 Refunding Current Interest General Obligation Bonds:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2018 | $ 510,000 | $ 426,669 | $ 936,669 |
| 2019 | 575,000 | 406,269 | 981,269 |
| 2020 | 640,000 | 383,269 | 1,023,269 |
| 2021 | 715,000 | 357,669 | 1,072,669 |
| 2022 | 790,000 | 330,069 | 1,120,069 |
| 2023-2027 | 5,220,000 | 1,166,745 | 6,386,745 |
| 2028-2029 | 2,815,000 | 155,150 | 2,970,150 |
| Total | $ 11,265,000 | $ 3,225,840 | $ 14,490,840 |

2014 Refunding Current Interest General Obligation Bonds:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2018 | $ 3,085,000 | $ 640,400 | $ 3,725,400 |
| 2019 | 1,535,000 | 517,000 | 2,052,000 |
| 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 |
| 2023-2025 | 4,045,000 | 308,250 | 4,353,250 |
| Total | $ 13,425,000 | $ 2,564,400 | $ 15,989,400 |

2014 - Series 2015 Current Interest General Obligation Bonds:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2018 | $ 2,720,000 | $ 114,800 | $ 2,834,800 |
| 2019 | 1,850,000 | 37,000 | 1,887,000 |
| Total | $ 4,570,000 | $ 151,800 | $ 4,721,800 |

2006 - Series 2016 Current Interest General Obligation Bonds:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2018 | $ - | $ 154,531 | $ 154,531 |
| 2019 | - | 154,531 | 154,531 |
| 2020 | - | 154,531 | 154,531 |
| 2021 | - | 154,531 | 154,531 |
| 2022 | - | 154,531 | 154,531 |
| 2023-2027 | - | 772,655 | 772,655 |
| 2028-2032 | - | 772,655 | 772,655 |
| 2033-2037 | 2,341,000 | 623,246 | 2,964,246 |
| 2038-2041 | 2,160,000 | 188,493 | 2,348,493 |
| Total | $ 4,501,000 | $ 3,129,704 | $ 7,630,704 |

2014 - Series 2017 Current Interest General Obligation Bonds:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2018 | $ - | $ 1,697,951 | $ 1,697,951 |
| 2019 | 440,000 | 2,695,900 | 3,135,900 |
| 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 |
| 2023-2027 | 1,815,000 | 12,727,850 | 14,542,850 |
| 2028-2032 | 5,315,000 | 11,884,425 | 17,199,425 |
| 2033-2037 | 10,095,000 | 10,277,650 | 20,372,650 |
| 2038-2042 | 16,655,000 | 7,381,775 | 24,036,775 |
| 2043-2047 | 25,765,000 | 2,735,500 | 28,500,500 |
| Total | $ 63,000,000 | $ 57,189,251 | $ 120,189,251 |

**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.

| | 2002 - Series 2005 | | 2002 - Series 2006 | | 2006 - Series 2007 | |
|---|---|---|---|---|---|---|
| Fiscal Year | Final Maturity | Accreted Obligation | Final Maturity | Accreted Obligation | Final Maturity | Accreted Obligation |
| 2018 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2019 | 1,925,000 | 1,836,065 | - | - | - | - |
| 2020 | 2,015,000 | 1,831,232 | 280,000 | 256,704 | - | - |
| 2021 | 2,100,000 | 1,816,920 | 295,000 | 258,715 | - | - |
| 2022 | 2,200,000 | 1,810,160 | 305,000 | 255,834 | - | - |
| 2023-2027 | 12,575,000 | 8,829,632 | 1,760,000 | 1,283,372 | 7,865,000 | 5,534,480 |
| 2028-2032 | 15,315,000 | 8,437,607 | 2,265,000 | 1,187,544 | 15,685,000 | 9,172,865 |
| Total | $ 36,130,000 | $ 24,561,616 | $ 4,905,000 | $ 3,242,169 | $ 23,550,000 | $ 14,707,345 |

**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 |
|---|---|---|---|
| 2018 | $ 630,000 | $ 556,313 | $ 1,186,313 |
| 2019 | 650,000 | 531,544 | 1,181,544 |
| 2020 | 680,000 | 505,809 | 1,185,809 |
| 2021 | 705,000 | 479,009 | 1,184,009 |
| 2022 | 730,000 | 451,241 | 1,181,241 |
| 2023-2027 | 4,090,000 | 1,801,673 | 5,891,673 |
| 2028-2032 | 4,950,000 | 929,776 | 5,879,776 |
| 2033-2034 | 2,255,000 | 88,139 | 2,343,139 |
| Total | $ 14,690,000 | $ 5,343,504 | $ 20,033,504 |

**Preschool Revolving Loan**

The District has entered into four agreements with the California Department of Education for non-interest loans for child care facilities at the Madison site, the George Washington site, the Ceasar Chavez site, and the Pershing site. The District is required to make annual loan payments for the sites ranging from $9,974 to $21,000.

| Year Ending June 30, | Loan Payment |
|---|---|
| 2018 | $ 18,735 |

**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2017, amounted to $543,671.

**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 $104,285 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement program totaled $164,090.

**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, 2017, is $1,826,391.

**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, 2016 | $ 3,879,282 |
| Payments | 673,081 |
| Balance, June 30, 2017 | $ 3,206,201 |

The capital leases have minimum lease payments as follows:

| Year Ending June 30, | Lease Payment |
|---|---|
| 2018 | $ 438,853 |
| 2019 | 391,039 |
| 2020 | 391,039 |
| 2021 | 391,039 |
| 2022 | 391,039 |
| 2023-2027 | 1,759,673 |
| Total | 3,762,682 |
| Less: Amount Representing Interest | 556,481 |
| Present Value of Minimum Lease Payments | $ 3,206,201 |

**Other Postemployment Benefit (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2017, was $2,495,256, and contributions made by the District during the year were $2,638,567 (including the implicit rate subsidy factor of 1.1104). Interest on the net OPEB obligation and adjustments to the annual required contribution were $160,446 and $(231,966), respectively, which resulted in a decrease to the net OPEB obligation of $214,831. As of June 30, 2017, the net OPEB obligation was $3,796,325. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

## 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 | 482,902 | - | - | 241,040 | 723,942 |
| Prepaid expenditures | 153,008 | - | - | - | 153,008 |
| Total Nonspendable | 660,910 | - | - | 246,180 | 907,090 |
| Restricted | | | | | |
| Legally restricted programs | 2,788,967 | - | - | 3,846,254 | 6,635,221 |
| Capital projects | - | 66,937,448 | - | 6,560,328 | 73,497,776 |
| Debt service | - | - | - | 14,920,872 | 14,920,872 |
| Total Restricted | 2,788,967 | 66,937,448 | - | 25,327,454 | 95,053,869 |
| Committed | | | | | |
| Adult education program | - | - | - | 113,155 | 113,155 |
| Assigned | | | | | |
| One time mandated funding | 8,088,702 | - | - | - | 8,088,702 |
| Vacation accrual | 508,212 | - | - | - | 508,212 |
| Capital projects | - | - | 24,485,486 | - | 24,485,486 |
| Total Assigned | 8,596,914 | - | 24,485,486 | - | 33,082,400 |
| Unassigned | 45,254,207 | - | - | - | 45,254,207 |
| Total | $ 57,300,998 | $ 66,937,448 | $ 24,485,486 | $ 25,686,789 | $ 174,410,721 |

## NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District major fund exceeded the budgeted amount as follows:

| | Expenditures and Other Uses | | |
|---|---|---|---|
| Fund | Budget | Actual | Excess |
| General | | | |
| Other outgo | $ 2,246,176 | $ 2,337,437 | $ 91,261 |

## NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

### Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Madera Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 158 retirees and beneficiaries currently receiving benefits and 1,681 active plan members.

### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Madera Unified Teachers Association (MUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $2,376,231 to the plan (excluding the implicit rate subsidy factor), all of which was used for current premiums.

### Annual OPEB Cost and Net OPEB Obligation

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

| | |
|---|---|
| Annual required contribution | $ 2,495,256 |
| Interest on net OPEB obligation | 160,446 |
| Adjustment to annual required contribution | (231,966) |
| Annual OPEB cost (expense) | 2,423,736 |
| Contributions made (includes implicit rate subsidy factor) | (2,638,567) |
| Decrease in net OPEB obligation | (214,831) |
| Net OPEB obligation, beginning of year | 4,011,156 |
| Net OPEB obligation, end of year | $ 3,796,325 |

**Trend Information**

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| Year Ended June 30, | Annual OPEB Cost | Actual Contribution | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 2017 | $ 2,423,736 | $ 2,638,567 | 108.86% | $ 3,796,325 |
| 2016 | 2,423,270 | 2,449,453 | 101.08% | 4,011,156 |
| 2015 | 2,655,112 | 2,362,632 | 88.98% | 4,037,339 |

**Funded Status and Funding Progress**

A schedule of funding progress as of the most recent actuarial valuation is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b - a] / c) |
|---|---|---|---|---|---|---|
| July 1, 2015 | $ - | $ 24,978,519 | $ 24,978,519 | 0.00% | $ 104,561,707 | 23.89% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were 8.0 percent to an ultimate 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2017, was 22 years.

## NOTE 13 - 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, 2017, 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 14 - 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, 2017, 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 | $ 133,433,285 | $ 29,769,852 | $ 3,254,953 | $ 14,570,846 |
| CalPERS | 41,858,308 | 14,170,699 | 1,257,593 | 6,273,393 |
| Total | $ 175,291,593 | $ 43,940,551 | $ 4,512,546 | $ 20,844,239 |

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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.

The STRP provisions and benefits in effect at June 30, 2017, 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 precentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 9.205% |
| Required employer contribution rate | 12.58% | 12.58% |
| Required state contribution rate | 8.828% | 8.828% |

**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, 2017, are presented above and the District's total contributions were $11,338,027.

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

At June 30, 2017, 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 | $ 133,433,285 |
| State's proportionate share of the net pension liability associated with the District | 75,961,189 |
| Total | $ 209,394,474 |

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.1650 percent and 0.1630 percent, resulting in a net increase in the proportionate share of 0.0020 percent.

For the year ended June 30, 2017, the District recognized pension expense of $14,570,846. In addition, the District recognized pension expense and revenue of $7,342,448 for support provided by the State. At June 30, 2017, 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 | $ 11,338,027 | $ - |
| Net change in proportionate share of net pension liability | 7,823,944 | - |
| Difference between projected and actual earnings on pension plan investments | 10,607,881 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | - | 3,254,953 |
| Total | $ 29,769,852 | $ 3,254,953 |

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 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 |
|---|---|
| 2018 | $ 231,429 |
| 2019 | 231,429 |
| 2020 | 6,166,399 |
| 2021 | 3,978,624 |
| Total | $ 10,607,881 |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability 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 |
|---|---|
| 2018 | $ 929,966 |
| 2019 | 929,966 |
| 2020 | 929,966 |
| 2021 | 929,966 |
| 2022 | 929,966 |
| Thereafter | (80,839) |
| Total | $ 4,568,991 |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2015 |
| Measurement date | June 30, 2016 |
| Experience study | July 1, 2006 through June 30, 2010 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.60% |
| Investment rate of return | 7.60% |
| Consumer price inflation | 3.00% |
| Wage growth | 3.75% |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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 7.60 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 (7.60 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 (6.60%) | $ 192,040,590 |
| Current discount rate (7.60%) | $ 133,433,285 |
| 1% increase (8.60%) | $ 84,757,464 |

**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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically 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, 2017, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|---|---|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| 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 precentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 6.00% |
| Required employer contribution rate | 13.888% | 13.888% |

**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, 2017, are presented above and the total District contributions were $3,973,169.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $41,858,308. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.2119 percent and 0.2062 percent, resulting in a net increase in the proportionate share of 0.0057 percent.

For the year ended June 30, 2017, the District recognized pension expense of $6,273,393. At June 30, 2017, 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 | $ 3,973,169 | $ - |
| Net change in proportionate share of net pension liability | 1,902,158 | - |
| Difference between projected and actual earnings on pension plan investments | 6,495,063 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 1,800,309 | - |
| Changes of assumptions | - | 1,257,593 |
| Total | $ 14,170,699 | $ 1,257,593 |

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 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 |
|---|---|
| 2018 | $ 911,019 |
| 2019 | 911,019 |
| 2020 | 2,977,872 |
| 2021 | 1,695,153 |
| Total | $ 6,495,063 |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 3.9 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2018 | $ 1,053,348 |
| 2019 | 992,364 |
| 2020 | 399,162 |
| Total | $ 2,444,874 |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2015 |
| Measurement date | June 30, 2016 |
| Experience study | July 1, 1997 through June 30, 2011 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.65% |
| Investment rate of return | 7.65% |
| Consumer price inflation | 2.75% |
| Wage growth | Varies by entry age and service |

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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 | 51% | 5.71% |
| Global debt securities | 20% | 2.43% |
| Inflation assets | 6% | 3.36% |
| Private equity | 10% | 6.95% |
| Real estate | 10% | 5.13% |
| Infrastructure and Forestland | 2% | 5.09% |
| Liquidity | 1% | -1.05% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 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 (6.65%) | $ 62,452,829 |
| Current discount rate (7.65%) | $ 41,858,308 |
| 1% increase (8.65%) | $ 24,709,317 |

**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 $5,022,198 (based on the District's proportionate share percentage as calculated by CalSTRS). 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.

## NOTE 15 - 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, 2017.

**Litigation**

The District is not currently a party to any legal proceedings.

**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, 2017, the District had the following commitments with respect to the unfinished capital projects:

| Capital Projects | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| New backstops, bleachers, concession stand and restroom - Madera High School | $ 344,000 | September 2017 |
| Future elementary school - Virginia Lee Rose Elementary School | 5,100,000 | October 2017 |
| Total | $ 5,444,000 | |

**NOTE 16 - 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, 2017, the District made payment of $2,802,693 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2017, the District made payment of $29,609,562 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, 2017

| | Budgeted Amounts | | | Variances - Favorable (Unfavorable) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| **REVENUES** | | | | |
| Local Control Funding Formula | $ 194,913,702 | $ 195,868,872 | $ 196,948,721 | $ 1,079,849 |
| Federal sources | 13,495,804 | 16,476,779 | 13,571,321 | (2,905,458) |
| Other State sources | 16,830,008 | 21,892,618 | 18,126,459 | (3,766,159) |
| Other local sources | 4,722,212 | 5,341,987 | 5,822,123 | 480,136 |
| **Total Revenues** | 229,961,726 | 239,580,256 | 234,468,624 | (5,111,632) |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Certificated salaries | 88,329,751 | 92,469,538 | 92,051,990 | 417,548 |
| Classified salaries | 27,276,903 | 28,665,007 | 28,271,007 | 394,000 |
| Employee benefits | 57,508,209 | 58,191,202 | 56,051,241 | 2,139,961 |
| Books and supplies | 17,249,704 | 22,031,109 | 14,699,580 | 7,331,529 |
| Services and operating expenditures | 16,514,611 | 21,845,015 | 18,645,466 | 3,199,549 |
| Other outgo | 2,330,718 | 2,246,176 | 2,337,437 | (91,261) |
| Capital outlay | 4,751,029 | 13,184,840 | 8,740,792 | 4,444,048 |
| Debt service - principal | 673,081 | 673,081 | 673,081 | - |
| Debt service - interest | 134,695 | 134,695 | 130,944 | 3,751 |
| **Total Expenditures** | 214,768,701 | 239,440,663 | 221,601,538 | 17,839,125 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 15,193,025 | 139,593 | 12,867,086 | 12,727,493 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 30,000 | 30,000 | 39,609 | 9,609 |
| Transfers out | (11,177,217) | (11,260,386) | (11,260,386) | - |
| **Net Financing Sources (Uses)** | (11,147,217) | (11,230,386) | (11,220,777) | 9,609 |
| **NET CHANGE IN FUND BALANCES** | 4,045,808 | (11,090,793) | 1,646,309 | 12,737,102 |
| **Fund Balance - Beginning** | 55,654,689 | 55,654,689 | 55,654,689 | - |
| **Fund Balance - Ending** | $ 59,700,497 | $ 44,563,896 | $ 57,300,998 | $ 12,737,102 |

See accompanying note to required supplementary information.

**MADERA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b - a] / c) |
|---|---|---|---|---|---|---|
| July 1, 2015 | $ - | $ 24,978,519 | $ 24,978,519 | 0.00% | $ 104,561,707 | 23.89% |
| July 1, 2013 | $ - | $ 27,479,255 | $ 27,479,255 | 0.00% | $ 82,634,976 | 33.25% |
| July 1, 2011 | $ - | $ 26,570,686 | $ 26,570,686 | 0.00% | $ 84,497,116 | 31.45% |

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, 2017

| | 2017 | 2016 |
|---|---|---|
| **CalSTRS** | | |
| District's proportion of the net pension liability (asset) | 0.1650% | 0.1630% |
| District's proportionate share of the net pension liability (asset) | $133,433,285 | $109,768,136 |
| State's proportionate share of the net pension liability (asset) associated with the District | 75,961,189 | 58,055,243 |
| Total | $ 209,394,474 | $ 167,823,379 |
| District's covered - employee payroll | $ 83,354,240 | $ 74,943,153 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | 160.08% | 146.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 74% |
| **CalPERS** | | |
| District's proportion of the net pension liability (asset) | 0.2119% | 0.2062% |
| District's proportionate share of the net pension liability (asset) | $ 41,858,308 | $ 30,391,170 |
| District's covered - employee payroll | $ 25,446,577 | $ 22,981,956 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | 164.49% | 132.24% |
| Plan fiduciary net position as a percentage of the total pension liability | 74% | 79% |

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

See accompanying note to required supplementary information.

| 2015 |
| --- |
| 0.1504% |
| $ 87,863,363 |
| 53,055,692 |
| $ 140,919,055 |
| $ 68,012,364 |
| 129.19% |
| 77% |
| |
| 0.1894% |
| $ 21,502,181 |
| $ 20,186,890 |
| 106.52% |
| 83% |

## MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS
## FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | 2016 |
|---|---|---|
| **CalSTRS** | | |
| Contractually required contribution | $ 11,338,027 | $ 8,943,910 |
| Contributions in relation to the contractually required contribution | 11,338,027 | 8,943,910 |
| Contribution deficiency (excess) | $ - | $ - |
| District's covered - employee payroll | $ 90,127,401 | $ 83,354,240 |
| Contributions as a percentage of covered - employee payroll | 12.58% | 10.73% |
| **CalPERS** | | |
| Contractually required contribution | $ 3,973,169 | $ 3,014,656 |
| Contributions in relation to the contractually required contribution | 3,973,169 | 3,014,656 |
| Contribution deficiency (excess) | $ - | $ - |
| District's covered - employee payroll | $ 28,608,648 | $ 25,446,577 |
| Contributions as a percentage of covered - employee payroll | 13.888% | 11.847% |

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

See accompanying note to required supplementary information.

| 2015 |
| ---: |
| |
| $ 6,654,952 |
| 6,654,952 |
| $ - |
| |
| $ 74,943,153 |
| |
| 8.88% |
| |
| |
| $ 2,705,206 |
| 2,705,206 |
| $ - |
| |
| $ 22,981,956 |
| |
| 11.771% |

## NOTE 1 - PURPOSE OF SCHEDULES

### Budgetary Comparison Schedule

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

### 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 in 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, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA/ Contract Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Fund For The Improvement of Education-SHAPEN Program | 84.215E | N/A | $ 390,081 |
| Fund For The Improvement of Education-BASES Program | 84.215F | N/A | 271,545 |
| Passed Through California Department of Education (CDE): | | | |
| Title I - Part A, Basic | 84.010 | 14329 | 7,058,124 |
| Title I - Part C, Migrant | 84.011 | 14326 | 511,817 |
| Title I - Part C, Migrant Summer | 84.011 | 10005 | 32,892 |
| Title I - Part G, Advanced Placement Fee Program | 84.330B | 14831 | 28,538 |
| Title II - Part A, Supporting Effective Instruction | 84.367 | 14341 | 813,249 |
| Title III - English Language Acquisition - LEP | 84.365 | 14346 | 808,383 |
| Title IV- Part B, 21st Century CLC Program | 84.287 | 14349 | 1,915,282 |
| Adult Education, Basic | 84.002A | 14508 | 64,869 |
| Adult Education, English Literacy and Civics Education | 84.002A | 14109 | 35,738 |
| Adult Education, Secondary Education | 84.002 | 13978 | 132,164 |
| Adult Education, Institutionalized Adults | 84.002 | 13971 | 3,586 |
| Special Education, Basic Local Assistance | 84.027 | 13379 | 1,279,115 |
| Special Education, Basic Local Assistance, Private School | 84.027 | 10115 | 2,215 |
| Career and Technical Education: Adult, Section 132 | 84.048 | 14893 | 2,222 |
| Career and Technical Education: Secondary, Section 131 | 84.048 | 14894 | 205,179 |
| Total U.S. Department of Education | | | 13,554,999 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed Through CDE: | | | |
| Child Nutrition Cluster | | | |
| National School Lunch | 10.555 | 13391 | 8,273,731 |
| Especially Needy Breakfast | 10.553 | 13526 | 2,321,292 |
| Meals Supplements-Snack | 10.555 | 13391 | 359,160 |
| Food distribution-commodities | 10.555 | 13391 | 1,013,885 |
| Summer Food Program | 10.559 | 13004 | 215,053 |
| Subtotal Child Nutrition Cluster | | | 12,183,121 |
| Fresh Fruit and Vegetable Program | 10.582 | 14968 | 389,866 |
| Total U.S. Department of Agriculture | | | 12,572,987 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed Through California Department of Health Care Services: | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | 111,425 |
| Medi-Cal Administrative Activities | 93.778 | 10060 | 143,476 |
| Total U.S. Department of Health and Human Services | | | 254,901 |
| Total Expenditures of Federal Awards | | | $ 26,382,887 |

See accompanying note to supplementary information.

# MADERA UNIFIED SCHOOL DISTRICT

# LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
# JUNE 30, 2017

## ORGANIZATION

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

## GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Al Galvez | President | 2018 |
| Ed McIntyre | Clerk | 2018 |
| Ricardo Arredondo | Trustee | 2020 |
| Brent Fernandes | Trustee | 2018 |
| Maria Velarde-Garcia | Trustee | 2018 |
| Ruben Mendoza | Trustee | 2020 |
| Ray G. Seibert | Trustee | 2020 |

## ADMINISTRATION

| | |
|---|---|
| Todd Lile | Interim Superintendent |
| Victor Villar | Associate Superintendent |
| Sandon Schwartz | Assistant Superintendent, Administrative and Support Services |
| Kent Albertson | Chief of Human Resources Officer |
| Adele Nikkel | Chief Financial Officer |
| Elizabeth Runyon | Chief Academic Officer, Elementary |
| Todd Lile | Chief Academic Officer, Secondary |
| Babatunde Ilori | Director of Performance Management and Internal Communications |

See accompanying note to supplementary information.

**MADERA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**
**FOR THE YEAR ENDED JUNE 30, 2017**

| | Second Period Report | Annual Report |
|---|---|---|
| Regular ADA | | |
| Transitional kindergarten through third | 6,290.67 | 6,282.55 |
| Fourth through sixth | 4,682.16 | 4,682.90 |
| Seventh and eighth | 2,913.40 | 2,908.45 |
| Ninth through twelfth | 5,130.78 | 5,089.84 |
| Total Regular ADA | 19,017.01 | 18,963.74 |
| Extended Year Special Education | | |
| Transitional kindergarten through third | 0.26 | 0.26 |
| Fourth through sixth | 0.13 | 0.13 |
| Ninth through twelfth | 1.76 | 1.76 |
| Total Extended Year Special Education | 2.15 | 2.15 |
| Special Education, Nonpublic, Nonsectarian Schools | | |
| Fourth through sixth | 0.76 | 0.85 |
| Ninth through twelfth | 1.79 | 1.81 |
| Total Special Education, Nonpublic, Nonsectarian Schools | 2.55 | 2.66 |
| Community Day School | | |
| Seventh and eighth | 8.39 | 9.70 |
| Ninth through twelfth | 34.21 | 33.70 |
| Total Community Day School | 42.60 | 43.40 |
| Total ADA | 19,064.31 | 19,011.95 |

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

# SCHEDULE OF INSTRUCTIONAL TIME
# FOR THE YEAR ENDED JUNE 30, 2017

| Grade Level | 1986-1987 Minutes Requirement | 2016-2017 Actual Minutes | Number of Days Traditional Calendar | Number of Days Multitrack Calendar | Status |
|---|---|---|---|---|---|
| Kindergarten | 36,000 | 54,900 | 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 | | 65,640 | 180 | N/A | Complied |
| Grade 10 | | 65,640 | 180 | N/A | Complied |
| Grade 11 | | 65,640 | 180 | N/A | Complied |
| Grade 12 | | 65,640 | 180 | N/A | Complied |

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, 2017**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

## MADERA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2017

| | (Budget) 2018 [1] | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| GENERAL FUND | | | | |
| Revenues and other sources | $ 240,475,279 | $ 234,508,233 | $ 226,998,611 | $ 180,723,529 |
| Expenditures and other uses | 257,353,465 | 232,861,924 | 212,380,358 | 185,338,868 |
| INCREASE/(DECREASE) IN FUND BALANCE | $ (16,878,186) | $ 1,646,309 | $ 14,618,253 | $ (4,615,339) |
| ENDING FUND BALANCE | $ 40,422,812 | $ 57,300,998 | $ 55,654,689 | $ 41,036,436 |
| AVAILABLE RESERVES [2] | $ 33,866,353 | $ 45,254,207 | $ 40,874,553 | $ 31,916,131 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO | 13.2% | 19.4% | 19.2% | 17.2% |
| LONG-TERM OBLIGATIONS | Not Available | $ 172,184,480 | $ 104,468,571 | $ 98,232,772 |
| AVERAGE DAILY ATTENDANCE AT P-2 | 19,177 | 19,064 | 18,858 | 18,796 |

The General Fund balance has increased by $16,264,562 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $16,878,186 (29.46 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 2017-2018 fiscal year. Total long-term obligations have increased by $73,951,708 over the past two years due primarily to two General Obligation Bond issuances.

Average daily attendance has increased by 268 over the past two years. Additional growth of 113 ADA is anticipated during fiscal year 2017-2018.

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[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances contained within the General Fund.

See accompanying note to supplementary information.

## SCHEDULE OF CHARTER SCHOOLS
## FOR THE YEAR ENDED JUNE 30, 2017

| 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, 2017

| | Adult Education Fund | Child Development Fund | Cafeteria Fund |
|---|---|---|---|
| **ASSETS** | | | |
| Deposits and investments | $ 19,348 | $ 270,067 | $ 1,502,544 |
| Receivables | 406,744 | 254,752 | 1,895,279 |
| Due from other funds | 90 | - | 61,334 |
| Stores inventories | - | - | 241,040 |
| **Total Assets** | $ 426,182 | $ 524,819 | $ 3,700,197 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities:** | | | |
| Accounts payable | $ 71,135 | $ 27,355 | $ 148,907 |
| Due to other funds | 1,607 | 7,450 | 18,281 |
| Unearned revenue | - | 170,874 | - |
| **Total Liabilities** | 72,742 | 205,679 | 167,188 |
| **Fund Balances:** | | | |
| Nonspendable | 2,000 | - | 244,180 |
| Restricted | 238,285 | 319,140 | 3,288,829 |
| Committed | 113,155 | - | - |
| **Total Fund Balances** | 353,440 | 319,140 | 3,533,009 |
| **Total Liabilities and Fund Balances** | $ 426,182 | $ 524,819 | $ 3,700,197 |

See accompanying note to supplementary information.

| Capital Facilities Fund | County School Facilities Fund | Bond Interest and Redemption Fund | COP Debt Service Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| $ 3,820,984 | $ 2,986,941 | $ 14,147,230 | $ 768,558 | $ 23,515,672 |
| 12,439 | - | 5,084 | - | 2,574,298 |
| - | - | - | - | 61,424 |
| - | - | - | - | 241,040 |
| $ 3,833,423 | $ 2,986,941 | $ 14,152,314 | $ 768,558 | $ 26,392,434 |
| | | | | |
| $ - | $ 260,036 | $ - | $ - | $ 507,433 |
| - | - | - | - | 27,338 |
| - | - | - | - | 170,874 |
| - | 260,036 | - | - | 705,645 |
| | | | | |
| - | - | - | - | 246,180 |
| 3,833,423 | 2,726,905 | 14,152,314 | 768,558 | 25,327,454 |
| - | - | - | - | 113,155 |
| 3,833,423 | 2,726,905 | 14,152,314 | 768,558 | 25,686,789 |
| | | | | |
| $ 3,833,423 | $ 2,986,941 | $ 14,152,314 | $ 768,558 | $ 26,392,434 |

## MADERA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED JUNE 30, 2017

| | Adult Education Fund | Child Development Fund | Cafeteria Fund |
|---|---|---|---|
| **REVENUES** | | | |
| Federal sources | $ 238,579 | $ - | $ 12,572,987 |
| Other State sources | 1,004,508 | 2,203,951 | 829,215 |
| Other local sources | 181,525 | 87,805 | 158,386 |
| **Total Revenues** | 1,424,612 | 2,291,756 | 13,560,588 |
| **EXPENDITURES** | | | |
| Current | | | |
| Instruction | 555,978 | 1,674,612 | - |
| Instruction-related activities: | | | |
| Supervision of instruction | - | 298,467 | - |
| School site administration | 513,871 | 28 | - |
| Pupil services: | | | |
| Food services | - | - | 13,041,893 |
| All other pupil services | 5,287 | 39,857 | - |
| Administration: | | | |
| All other administration | 60,485 | 107,700 | 576,751 |
| Plant services | 370,788 | 23,257 | 292,373 |
| Facility acquisition and construction | 854,531 | - | - |
| Debt service | | | |
| Principal | - | 33,735 | - |
| Interest and other | - | - | - |
| **Total Expenditures** | 2,360,940 | 2,177,656 | 13,911,017 |
| **Excess (Deficiency) of Revenues Over Expenditures** | (936,328) | 114,100 | (350,429) |
| **Other Financing Sources (Uses)** | | | |
| Transfers in | - | - | 83,169 |
| Transfers out | - | - | - |
| **Net Financing Sources (Uses)** | - | - | 83,169 |
| **NET CHANGE IN FUND BALANCES** | (936,328) | 114,100 | (267,260) |
| **Fund Balance - Beginning** | 1,289,768 | 205,040 | 3,800,269 |
| **Fund Balance - Ending** | $ 353,440 | $ 319,140 | $ 3,533,009 |

See accompanying note to supplementary information.

| Capital Facilities Fund | County School Facilities Fund | Bond Interest and Redemption Fund | COP Debt Service Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 12,811,566 |
| - | - | 67,832 | - | 4,105,506 |
| 2,343,263 | 36,673 | 14,068,215 | 2,943 | 16,878,810 |
| 2,343,263 | 36,673 | 14,136,047 | 2,943 | 33,795,882 |
| | | | | |
| - | - | - | - | 2,230,590 |
| | | | | |
| - | - | - | - | 298,467 |
| - | - | - | - | 513,899 |
| | | | | |
| - | - | - | - | 13,041,893 |
| - | - | - | - | 45,144 |
| | | | | |
| 15,100 | - | - | - | 760,036 |
| - | - | - | - | 686,418 |
| 4,200,000 | 1,172,411 | - | - | 6,226,942 |
| | | | | |
| - | - | 5,770,000 | 605,000 | 6,408,735 |
| - | - | 1,389,337 | 580,205 | 1,969,542 |
| 4,215,100 | 1,172,411 | 7,159,337 | 1,185,205 | 32,181,666 |
| | | | | |
| (1,871,837) | (1,135,738) | 6,976,710 | (1,182,262) | 1,614,216 |
| | | | | |
| - | - | - | 1,185,210 | 1,268,379 |
| (1,224,819) | - | - | - | (1,224,819) |
| (1,224,819) | - | - | 1,185,210 | 43,560 |
| (3,096,656) | (1,135,738) | 6,976,710 | 2,948 | 1,657,776 |
| 6,930,079 | 3,862,643 | 7,175,604 | 765,610 | 24,029,013 |
| $ 3,833,423 | $ 2,726,905 | $ 14,152,314 | $ 768,558 | $ 25,686,789 |

# NOTE TO SUPPLEMENTARY INFORMATION
# JUNE 30, 2017

## 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. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

### 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.

**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 - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances**

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

# *INDEPENDENT AUDITOR'S REPORTS*

VAVRINEK, TRINE, DAY & CO., LLP
*Certified Public Accountants*

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

Governing Board
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, 2017, 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 November 27, 2017.

**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.



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**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Madera Unified School District in a separate letter dated November 27, 2017.

**Purpose of This Report**

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
November 27, 2017

VAVRINEK, TRINE, DAY & CO., LLP
*Certified Public Accountants*



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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 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 (the District) major Federal programs for the year ended June 30, 2017. 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.



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***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, 2017.

**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.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
November 27, 2017

VAVRINEK, TRINE, DAY & CO., LLP
*Certified Public Accountants*

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# 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 compliance with the types of compliance requirements as identified in the *2016-2017 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, 2017.

### *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 *2016-2017 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.

### *Unmodified Opinion*

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, 2017.



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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:

| | Procedures Performed |
|---|---|
| LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS | |
| 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 |
| Mental Health Expenditures | No (see below) |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS | |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After 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) |
| Immunizations | No (see below) |
| 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 have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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 the recommended procedures for Mental Health Expenditures because the District did not expend any of the Mental Health Expenditures funding received.

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

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

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
November 27, 2017

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

# SUMMARY OF AUDITOR'S RESULTS
# FOR THE YEAR ENDED JUNE 30, 2017

## FINANCIAL STATEMENTS

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

## FEDERAL AWARDS

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

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 84.365 | Title III - English Language Acquisition - LEP |
| 84.287 | Title IV - Part B, 21st CLC Program |
| 84.027 | Special Education Programs |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 791,487 |
| Auditee qualified as low-risk auditee? | Yes |

## STATE AWARDS

| | |
|---|---|
| Type of auditor's report issued on compliance for programs: | Unmodified |

## FINANCIAL STATEMENT FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2017

None reported.

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2017

None reported.

## STATE AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2017

None reported.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
# FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

***State Awards Findings and Questioned Costs***

**2016-001 10000**

***Attendance Reporting***

**Criteria**

As prescribed by *Education Code* 46010.3, Notwithstanding subdivision (a) of Section 46010 or any other provision of law, for purposes of calculating days of attendance in order to compute any apportionment of state funding under this code, a pupil enrolled in a regular day class, including opportunity classes and classes conducted in county community schools, for the minimum day that is applicable to that pupil is deemed to be present for the entire school day, unless he or she is absent for the entire school day. Also, according to *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2015-2016,* prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, the monthly site summaries used for summarizing attendance for the P-2 and Annual Attendance Reports should provide accurate information. In addition, districts are required to abide by all procedures approved by the California Department of Education (CDE) when the district applied for approval of its online attendance system.

**Condition**

During our audit of the attendance system at Madera High School North, we discovered the site was not following the online attendance policies that were approved by the CDE. These policies require controls in place to ensure that any student, on any given day, that had only one period of attendance was actually present for that period or if the attendance was not reported correctly by the teacher.

**Effect**

Based on our testing, we determined an error rate for the periods we tested and applied that rate to reported average daily attendance for both the P-2 and Annual periods of attendance for Madera High School North. The resulting revisions to average daily attendance for Grades 9-12 for both periods is as follows:

| | Original P-2 | Revised P-2 | Change | Original Annual | Revised Annual | Change |
|---|---|---|---|---|---|---|
| Line A-1: | | | | | | |
| Grades 9-12 | 5,044.68 | 5,035.20 | 9.48 | 4,985.22 | 4,975.74 | 9.48 |

The District has revised both the P-2 and Annual Reports of Attendance to reflect the changes noted. The approximate associated fiscal impact of the reduction in ADA is $112,644.

**Cause**

The attendance staff at the site is not following procedures that include printing a "students with one or more unverified period absences" report on a daily basis and following up on all such instances noted to verify that students who were marked absent for all periods except one were actually present for that one period.

**Recommendation**

The attendance staff should implement procedures that include printing a "students with one or more unverified period absences" report on a daily basis and following up with teachers and parents on all such instances noted to verify that students who were marked absent for all periods except one were actually present for that one period. If it is determined that a student was not actually present for that one period or if it cannot be determined, then the attendance staff should modify attendance in the system to report that student with an all day absence. All reports and related notations must be retained for audit purposes.

**Current Status**

Implemented.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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Governing Board
Madera Unified School District
Madera, California

In planning and performing our audit of the financial statements of Madera Unified School District, for the year ended June 30, 2017, 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 November 27, 2017, on the government-wide financial statements of the District.

***MADERA HIGH SCHOOL, NORTH - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

During our audit of the cash receipts system, we found that some teachers/advisors are not always using prenumbered sub-receipt books or a class roster (there is no supporting documentation) to document when money is being turned in, the amount of money, and by which students. Without this supporting documentation we cannot determine if deposits are intact or if the teachers are forwarding money to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

**Recommendation**

Prenumbered sub-receipts or other supporting documentation, such as class rosters in certain situations, should be used for all cash collections by teacher/advisors for funds collected. These should be forwarded with the collections to the bookkeeper as documentation that all monies collected have been turned in. The ASB bookkeeper should have custody of all sub-receipt books and check them out to teachers/advisors as needed for specific events/fundraisers. The bookkeeper should maintain a log of those sub-receipt books and track receipt numbers sequences for each book.



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

***Cash Disbursements***

**Observation**

During our audit, we found that some disbursement requests were dated after the date on the invoice. This would indicate that items are being purchased prior to their approval.

**Recommendation**

In order to provide proper controls over spending, the site should take the necessary steps to ensure expenditures are approved prior to the item being purchased. The site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org.

***MARTIN LUTHER KING JUNIOR MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Ticket Reports and Logs***

**Observation**

During our audit, we found that a master ticket log is not being used by the site for sporting events to account for all tickets on hand and used during the year. In addition, a ticket sales recap form is not prepared for each event. This form summarizes the total revenue generated and ticket number sequences used at each event.

**Recommendation**

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission at events. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the master ticket log.

***Concession Stands***

**Observation**

During our audit, we found that concession events do not have a process for tracking sales or products sold during operation. Without these procedures, the site is unable to determine the number of items sold and also the amount of money that should have been collected for those sales.

**Recommendation**

Concession stands should track the beginning and ending inventory, and should include the number of items sold multiplied by the respective sales price. A reconciliation of ending inventory should then be performed after the event to verify the amount of money collected agrees to the number of products sold. This will give the advisor and bookkeeper the knowledge that all money collected for sales was accounted for and turned in to the ASB.

Governing Board
Madera Unified School District

***DIXIELAND ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Timely Deposits***

**Observation**

During our audit of cash receipts, we found that deposits of monies received are not always made timely to the bank. This condition could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

**Recommendation**

The ASBs should, at a minimum, make their deposits once a week to reduce the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

***Cash Receipts***

**Observation**

During our audit of cash receipts procedures, we found that the Secretary does not issue receipts (there is no supporting documentation) to document when funds are being turned in, how much, and by whom. Without this supporting documentation it cannot be determined if deposits to the bank are intact or if the teachers are forwarding the funds to the ASB bookkeeper in a timely manner.

**Recommendation**

The site can strengthen internal controls over student body cash by receipting all cash received by the site. Each receipt should include a specific description of the source of the funds and the date received. The receipts issued by the bookkeeper 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. The cash receipt book can also be used as a reference for the amount of cash/checks that were collected and from whom in the event cash/checks turn up missing or if a claim or challenge is made regarding payment received by the site.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
November 27, 2017