

MADERA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

MADERA UNIFIED SCHOOL DISTRICT

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MADERA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

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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, 2018, 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District, as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedule on page 73, schedule of changes in the District's total OPEB liability and related ratios on page 74, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 75, schedule of the District's proportionate share of the net pension liability on page 76, and the schedule of District contributions on page 77, 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)* as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, 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.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 10, 2018

MADERA UNIFIED SCHOOL DISTRICT
1902 Howard Road, Madera, California 93637
(559) 675-4500

FAX: (559) 675-1186
www.madera.k12.ca.us



Board of Trustees:
Al Galvez, President, Ed McIntyre, Clerk
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Ricardo Arredondo; Brent Fernandes,
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Superintendent:
Todd Lile

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, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

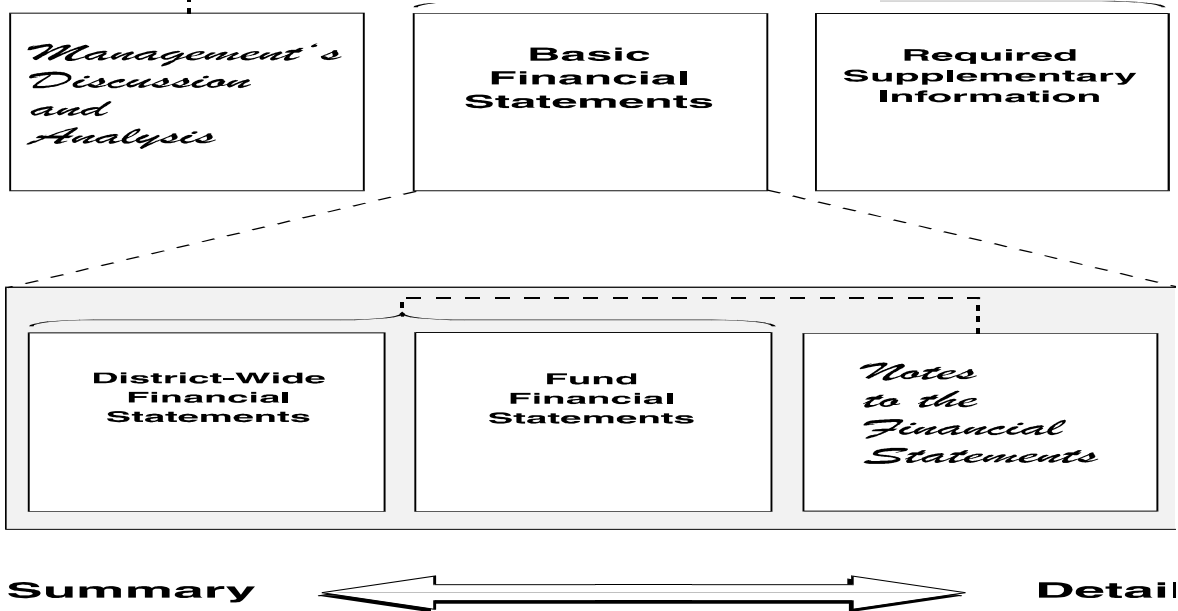


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

<i>Type of Statements</i>	Fund 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	<ul style="list-style-type: none"> •statement of net position •statement of activities 	<ul style="list-style-type: none"> •balance sheet •statement of revenues, expenditures & changes in fund balances •reconciliation to government-wide financial statements 	<ul style="list-style-type: none"> •statement of fiduciary net position •statement of changes in fiduciary net position

MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

<i>Type of Statements</i>	Fund 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 is received or paid

DISTRICT-WIDE STATEMENTS

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has two kinds of fund types:

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

MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$83.5 million on June 30, 2018, increasing by \$8.3 million (see Table A-1).

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

	Governmental Activities		
	2018	2017, as restated	Change
Assets			
Current and Other Assets	\$ 193.5	\$ 200.6	\$ (7.1)
Capital Assets	252.7	237.4	15.3
Total Assets	446.2	438.0	8.2
Deferred Outflows of Resources	73.2	43.9	29.3
Liabilities			
Current Liabilities	26.3	26.2	0.1
Long-Term Obligations Outstanding	192.8	200.7	(7.9)
Net Pension Liability	209.3	175.3	34.0
Total Liabilities	428.4	402.2	26.2
Deferred Inflows of Resources	7.5	4.5	3.0
Net Position			
Net Investment in Capital Assets	145.8	138.4	7.4
Restricted	26.3	28.3	(2.0)
Unrestricted	(88.6)	(91.5)	2.9
Total Net Position	\$ 83.5	\$ 75.2	\$ 8.3

Changes in net position. The District's total governmental revenues were \$276.6 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 \$184.0 million and property taxes contributing about \$33.1 million. Another \$49.5 million came from categorical programs, \$0.9 million came from fees charged for services, and \$9.1 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$268.3 million. The District's expenses are primarily related to educating and caring for students (81 percent). The purely administrative activities of the District accounted for just five percent of the total cost.

Total revenues surpassed expenses, increasing net position \$8.3 million over last year. Governmental activities contributed to the District's healthier fiscal status.

MADERA UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

	Governmental Activities		
	2018	2017	Change
Revenues			
General Revenues:			
Federal and State Aid Formula	\$ 184.0	\$ 180.0	\$ 4.0
Property Taxes	33.1	33.1	-
Other	9.1	6.0	3.1
Program Revenues:			
Charges for Services	0.9	0.6	0.3
Categorical Programs	49.5	45.3	4.2
Total Revenues	<u>276.6</u>	<u>265.0</u>	<u>11.6</u>
Expenses			
Instruction Related	181.1	167.3	13.8
Pupil Services	35.4	32.5	2.9
Administration	14.0	14.6	(0.6)
Plant Services	24.9	22.6	2.3
Other	12.9	11.4	1.5
Total Expenses	<u>268.3</u>	<u>248.4</u>	<u>19.9</u>
Increase in Net Position	<u>\$ 8.3</u>	<u>\$ 16.6</u>	<u>\$ (8.3)</u>

GOVERNMENTAL ACTIVITIES

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

Table A-3 presents the cost of the District's major activities: instruction, student transportation services, food services, pupil services, administration, plant services, and all other services. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 181.1	\$ 167.3	\$ 150.6	\$ 140.9
Student Transportation	7.7	7.1	7.6	7.0
Food Services	13.7	12.6	0.5	0.1
Pupil Services	14.0	12.8	11.7	11.1
Administration	14.0	14.6	12.3	13.1
Plant Services	24.9	22.6	24.1	21.8
All Other Services	12.9	11.4	11.1	8.5
Total	\$ 268.3	\$ 248.4	\$ 217.9	\$ 202.5

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 \$167.2 million which was a decrease of \$7.2 million over the prior year. The primary reasons for the decrease were:

- The decrease in the General Fund Balance of \$6.1 million is due primarily to a transfer of \$16.7 million to the Special Reserve Capital Outlay Fund for school facilities costs.
- The capital project funds increased by \$2.5 million as contributions from the General Fund exceeded capital outlay costs during the year.
- The debt service funds decreased by \$1.9 million as current required bond payments exceeded local tax revenues.
- The special revenue funds decreased by \$0.9 million. A decrease in the Cafeteria Fund of about \$0.7 million was the primary reason.

GENERAL FUND BUDGETARY HIGHLIGHTS

Four budget periods occur over the course of the year, as the District revises its budget and addresses unexpected changes in revenues and expenditures. The Budget Advisory Committee members met three times during fiscal year to review the budget and discuss the financial process. Federal and State revenue revisions were made during the year, increasing estimates as it became apparent that actual increases would be realized. Corresponding expenditure revisions were implemented to reflect increasing estimates. For 2018-2019, 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.

MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

The District budgeted a decrease in General Fund balance of approximately \$24.9 million. Although revenues and transfers in were approximately \$4.5 million less than budgeted, expenditures and transfers out were approximately \$23.3 million less than budgeted, leaving the fund with a decrease of approximately \$6.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the District had invested \$252.7 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 \$15.3 million (net of accumulated depreciation) over last year.

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

	Governmental Activities		Total
	2018	2017	Percentage Change
Land	\$ 13.8	\$ 13.8	0.0%
Construction in Progress	52.2	39.3	32.8%
Site Improvements	13.9	14.0	-0.7%
Buildings	162.3	159.4	1.8%
Furniture and Equipment	10.5	10.9	-3.7%
Total	\$ 252.7	\$ 237.4	30.3%

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

MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

LONG-TERM OBLIGATIONS

At year-end the District had \$192.8 million long-term obligations outstanding – a decrease of 3.9 percent from last year (see Table A-5).

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

	Governmental Activities		Total Percentage Change
	2018	2017, as restated	
General Obligation Bonds	\$ 143.1	\$ 148.0	-3.3%
Certificates of Participation	14.1	14.7	-4.1%
Compensated Absences	0.1	0.6	-83.3%
Early Retirement	1.5	1.9	-21.1%
Capital Leases Payable	2.9	3.2	-9.4%
Other Postemployment Benefits	31.1	32.3	-3.7%
Total	\$ 192.8	\$ 200.7	-3.9%

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, 2018, the District reported Deferred Outflows from pension activities of \$70.9 million, Deferred Inflows from pension activities of \$7.5 million, and a Net Pension Liability of \$209.3 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

MADERA UNIFIED SCHOOL DISTRICT

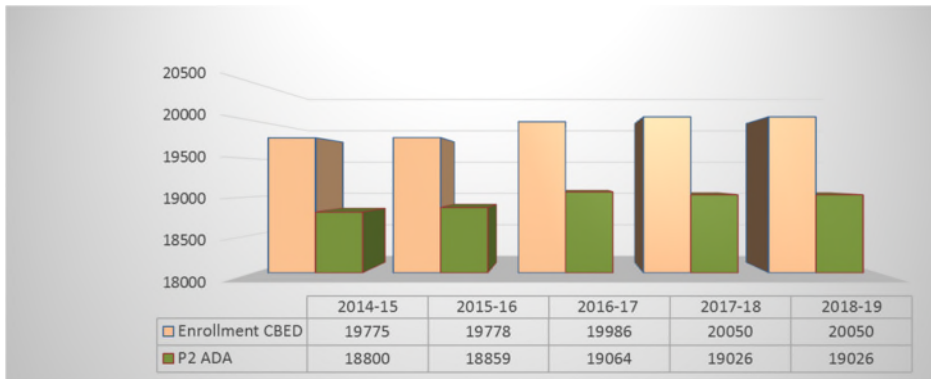
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 2017-2018 and our attendance rate was 96 percent. Madera Unified encourages students to improve attendance and be present to learn.

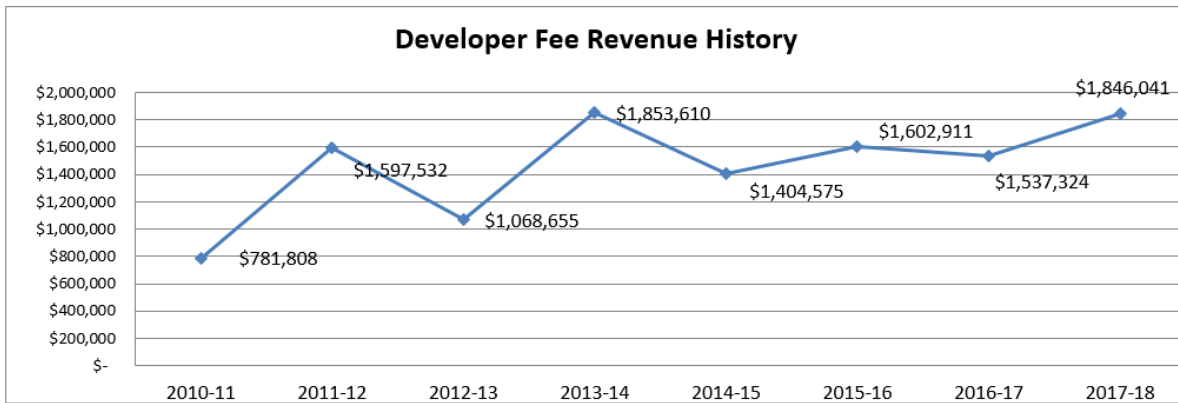


- The District completed salary negotiations with our labor partners up through the 2017-2018 school year. Certificated salaries were increased three percent, Classified salaries were increased four percent and the Insurance Contribution was increased three percent. We are currently in negotiations for 2018-2019 Fiscal Year.
- We continue our 12 Year Facilities Master Plan that our Governing Board approved in September of 2016. This plan will continue to be our road map for building schools, modernization and purchasing land for future growth. We have broken ground for the Matilda Torres High School which will open in August of 2020.
- Increases in CalSTRS and CalPERS costs continue to be monitored and are a major concern of the District. Multiyear projections will continue to include these increases.
- Developer Fee revenue was higher in 2017-2018. The County of Madera has many projects on the horizon, including California High Speed Rail and a Casino and we expect continued housing growth. These revenues will be spent on facilities for students and other District needs.

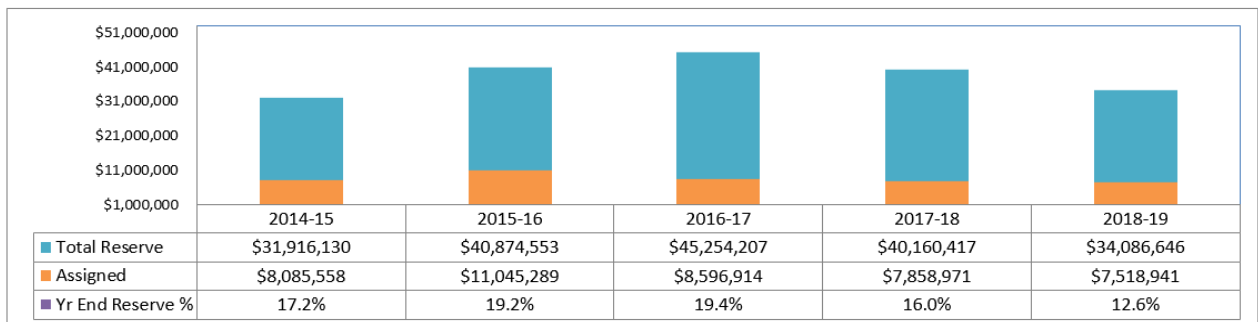
MADERA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018



- Maintain Board Policy of ten percent reserves. The Governing Board has a Minimum Fund Balance resolution as of March 14, 2017. 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 Madera Unified School District, 1902 Howard Road, Madera, California 93637.

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 183,474,207
Receivables	9,264,183
Prepaid expenses	13,508
Stores inventories	762,027
Nondepreciable capital assets	66,012,211
Capital assets being depreciated	292,761,409
Accumulated depreciation	<u>(106,102,022)</u>
Total Assets	<u>446,185,523</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	2,317,178
Deferred outflows of resources related to pensions	<u>70,854,192</u>
Total Deferred Outflows of Resources	<u>73,171,370</u>
LIABILITIES	
Accounts payable	22,940,084
Unearned revenue	3,368,488
Long-term obligations:	
Current portion of long-term obligations other than pensions	7,272,298
Noncurrent portion of long-term obligations other than pensions	<u>185,553,918</u>
Total Long-Term Obligations	<u>192,826,216</u>
Aggregate net pension liability	<u>209,261,030</u>
Total Liabilities	<u>428,395,818</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>7,495,559</u>
NET POSITION	
Net investment in capital assets	145,807,561
Restricted for:	
Debt service	13,052,114
Capital projects	7,343,745
Educational programs	3,110,536
Other activities	2,785,720
Unrestricted	<u>(88,634,160)</u>
Total Net Position	<u>\$ 83,465,516</u>

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

MADERA UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 146,581,255	\$ 24,693	\$ 24,498,775
Instruction-related activities:			
Supervision of instruction	13,683,576	1,419	4,149,408
Instructional library, media, and technology	3,385,726	976	555,712
School site administration	17,473,085	1,593	1,246,162
Pupil services:			
Home-to-school transportation	7,646,839	13,946	11,269
Food services	13,700,473	105,481	13,127,047
All other pupil services	14,029,289	57	2,386,642
Administration:			
Data processing	4,006,149	-	172
All other administration	9,987,216	7,537	1,718,906
Plant services	24,871,504	2,984	761,093
Ancillary services	3,558,373	26	78,909
Community services	28,519	-	481
Enterprise services	240,227	-	-
Interest on long-term obligations	5,642,476	-	-
Other outgo	3,448,122	768,558	954,527
Total Governmental Activities	\$ 268,282,829	\$ 927,270	\$ 49,489,103
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 as Restated			
Net Position - Ending			

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

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

**Governmental
Activities**

\$ (122,057,787)

(9,532,749)

(2,829,038)

(16,225,330)

(7,621,624)

(467,945)

(11,642,590)

(4,005,977)

(8,260,773)

(24,107,427)

(3,479,438)

(28,038)

(240,227)

(5,642,476)

(1,725,037)

(217,866,456)

25,789,311

7,275,707

855,433

183,958,091

1,299,904

507,292

6,474,435

226,160,173

8,293,717

75,171,799

\$ 83,465,516

MADERA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 63,959,758	\$ 59,484,880	\$ 38,211,744
Receivables	6,675,162	-	-
Due from other funds	501,389	-	1,128,365
Prepaid expenditures	13,508	-	-
Stores inventories	503,164	-	-
Total Assets	\$ 71,652,981	\$ 59,484,880	\$ 39,340,109
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,312,902	\$ 5,197,310	\$ 153,019
Due to other funds	275	1,128,365	-
Unearned revenue	3,144,812	-	-
Total Liabilities	20,457,989	6,325,675	153,019
Fund Balances:			
Nonspendable	541,672	-	-
Restricted	2,633,932	53,159,205	-
Committed	-	-	-
Assigned	7,858,971	-	39,187,090
Unassigned	40,160,417	-	-
Total Fund Balances	51,194,992	53,159,205	39,187,090
Total Liabilities and Fund Balances	\$ 71,652,981	\$ 59,484,880	\$ 39,340,109

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 21,817,825	\$ 183,474,207
2,589,021	9,264,183
275	1,630,029
-	13,508
258,863	762,027
<u>\$ 24,665,984</u>	<u>\$ 195,143,954</u>

\$ 276,853	\$ 22,940,084
501,389	1,630,029
223,676	3,368,488
<u>1,001,918</u>	<u>27,938,601</u>

264,003	805,675
23,396,180	79,189,317
3,883	3,883
-	47,046,061
-	40,160,417
<u>23,664,066</u>	<u>167,205,353</u>
<u>\$ 24,665,984</u>	<u>\$ 195,143,954</u>

MADERA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds **\$ 167,205,353**

**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	\$ 358,773,620	
Accumulated depreciation is	(106,102,022)	
Net Capital Assets		252,671,598

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

Pension contributions subsequent to measurement date	18,769,036	
Net change in proportionate share of net pension liability	11,071,154	
Difference between projected and actual earnings on pension plan investments	1,850,102	
Differences between expected and actual experience in the measurement of the total pension liability.	2,492,118	
Changes of assumptions	36,671,782	
Total Deferred Outflows of Resources Related to Pensions		70,854,192

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

Difference between projected and actual earnings on pension plan investments	(4,148,837)	
Differences between expected and actual experience in the measurement of the total pension liability.	(2,717,041)	
Changes of assumptions	(629,681)	
Total Deferred Inflows of Resources Related to Pensions		(7,495,559)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits comes due subsequent to the measurement date. 2,317,178

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

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued JUNE 30, 2018

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (209,261,030)
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	\$ 143,091,566	
Certificates of participation	14,060,000	
Compensated absences (vacations)	163,198	
District early retirement program	129,424	
PARS early retirement program	1,369,793	
Capital leases payable	2,871,676	
Other postemployment benefits (OPEB) liability	31,140,559	
Total Long-Term Obligations		<u>(192,826,216)</u>
Total Net Position - Governmental Activities		<u><u>\$ 83,465,516</u></u>

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, 2018

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	\$ 202,604,078	\$ -
Federal sources	14,763,871	-
Other State sources	20,584,736	-
Other local sources	6,546,339	836,457
Total Revenues	244,499,024	836,457
EXPENDITURES		
Current		
Instruction	135,215,373	-
Instruction-related activities:		
Supervision of instruction	12,849,632	-
Instructional library, media and technology	3,313,187	-
School site administration	16,053,465	-
Pupil services:		
Home-to-school transportation	6,460,416	-
Food services	8,273	-
All other pupil services	13,418,137	-
Administration:		
Data processing	4,398,113	-
All other administration	8,759,429	-
Plant services	22,837,099	-
Ancillary services	3,526,950	-
Community services	28,095	-
Other outgo	3,448,122	-
Enterprise services	236,806	-
Facility acquisition and construction	3,014,564	14,614,700
Debt service		
Principal	334,525	-
Interest and other	109,080	-
Total Expenditures	234,011,266	14,614,700
Excess (Deficiency) of Revenues Over Expenditures	10,487,758	(13,778,243)
Other Financing Sources (Uses)		
Transfers in	55,997	-
Transfers out	(16,649,761)	-
Net Financing Sources (Uses)	(16,593,764)	-
NET CHANGE IN FUND BALANCES	(6,106,006)	(13,778,243)
Fund Balance - Beginning	57,300,998	66,937,448
Fund Balance - Ending	\$ 51,194,992	\$ 53,159,205

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

Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 202,604,078
-	13,489,811	28,253,682
-	4,433,448	25,018,184
378,482	10,550,039	18,311,317
<u>378,482</u>	<u>28,473,298</u>	<u>274,187,261</u>
-	2,579,749	137,795,122
-	315,345	13,164,977
-	-	3,313,187
-	672,621	16,726,086
-	-	6,460,416
-	13,927,593	13,935,866
-	52,110	13,470,247
-	-	4,398,113
-	935,010	9,694,439
143,318	779,852	23,760,269
-	-	3,526,950
-	-	28,095
-	-	3,448,122
-	-	236,806
2,183,321	695,429	20,508,014
-	6,963,735	7,298,260
-	3,518,580	3,627,660
<u>2,326,639</u>	<u>30,440,024</u>	<u>281,392,629</u>
<u>(1,948,157)</u>	<u>(1,966,726)</u>	<u>(7,205,368)</u>
16,649,761	1,186,313	17,892,071
-	(1,242,310)	(17,892,071)
<u>16,649,761</u>	<u>(55,997)</u>	<u>-</u>
14,701,604	(2,022,723)	(7,205,368)
24,485,486	25,686,789	174,410,721
<u>\$ 39,187,090</u>	<u>\$ 23,664,066</u>	<u>\$ 167,205,353</u>

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds **\$ (7,205,368)**
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	\$ 23,142,859	
Depreciation expense	(7,831,487)	
Net Expense Adjustment		15,311,372

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (1,835)

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 \$431,459. Vacation earned was less than the amounts paid by \$380,473. 811,932

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. (10,038,809)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. 3,525,859

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

General obligation bonds	6,315,000
Certificates of participation	630,000
State preschool revolving loan	18,735
Capital lease obligations	334,525

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

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2018

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

Amortization of bond premiums \$ 607,122

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.

(2,014,816)

Change in Net Position of Governmental Activities

\$ 8,293,717

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	<u>Scholarship Trusts</u>	<u>Agency Funds</u>
ASSETS		
Deposits and investments	\$ 86,076	\$ 457,814
Accounts receivable	1,013	-
Total Assets	<u>87,089</u>	<u>\$ 457,814</u>
LIABILITIES		
Accounts payable	\$ 1,177	\$ -
Due to student groups		
Dixieland	-	9,609
Jefferson	-	22,709
King	-	35,346
La Vina	-	4,090
Washington	-	4,121
Madera High	-	164,012
Mountain Vista High	-	3,521
FCCLA	-	2,696
Desmond Middle	-	17,521
Madera South High	-	194,189
Total Liabilities	<u>1,177</u>	<u>\$ 457,814</u>
NET POSITION - RESERVED		
Lorraine Thompson Scholarship	38,651	
Student Government Scholarship	1,270	
Albonico Scholarship	8,600	
Ray Pool Scholarship	7,000	
K. Roberts Memorial Scholarship	-	
R. Scott Memorial Scholarship	-	
Science & Health Scholarship	45	
E. L. L. Scholarship	-	
Binger Scholarship	2,415	
J. Desmond Scholarship	-	
J. Hinton Scholarship	-	
Cadenazzi Roberts Scholarship	627	
School of Business Scholarship	-	
Michael A Wong Class 85' Scholarship	3,000	
Joan Davis Scholarship	500	
Dave Schoettler Memorial Scholarship	40	
Madera Lions Club	193	
Audrey Pool (MSHS)	7,571	
F.F.A Memorial Fund (MSHS)	1,000	
M Wong Class of 85' (MSHS)	-	
Juan Garcia Farmworker Scholarship	15,000	
Total Net Position	<u>\$ 85,912</u>	

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS - SCHOLARSHIP TRUSTS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	<u>Scholarship Trusts</u>
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ -
Student Government Scholarship	-
Albonico Scholarship	-
Ray Pool Scholarship	5,000
K. Roberts Memorial Scholarship	-
R. Scott Memorial Scholarship	-
Science & Health Scholarship	1
E. L. L. Scholarship	-
Binger Scholarship	30
J. Desmond Scholarship	-
J. Hinton Scholarship	500
Cardenazzi Roberts Scholarship	8
School of Business Scholarship	-
Michael A Wong Class 85' Scholarship	2,000
Joan Davis Scholarship	575
Dave Schoettler Memorial Scholarship	-
Madera Lions Club	18
Audrey Pool (MSHS)	5,000
F.F.A Memorial Fund (MSHS)	1,000
M Wong Class of 85' Scholarship (MSHS)	-
Juan Garcia Farmworker Scholarship	16,500
Total Additions	<u>30,632</u>

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS - SCHOLARSHIP TRUSTS STATEMENT OF CHANGES IN NET POSITION, Continued FOR THE YEAR ENDED JUNE 30, 2018

	<u>Scholarship Trusts</u>
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	\$ -
Student Government Scholarship	400
Albonico Scholarship	300
Ray Pool Scholarship	5,000
K. Roberts Memorial Scholarship	-
R. Scott Memorial Scholarship	-
Science & Health Scholarship	-
E.L.L. Scholarship	-
Binger Scholarship	-
J. Desmond Scholarship	-
J. Hinton Scholarship	500
Cardenazzi Roberts Scholarship	-
School of Business Scholarship	-
Michael A. Wong Class 85' Scholarship	1,000
Joan Davis Scholarship	500
Dave Schoettler Memorial Scholarship	-
Madera Lions Club	6,177
Audrey Pool Scholarship (MSHS)	4,000
F.F.A Memorial Fund Scholarship (MSHS)	2,382
M. Wong Class of 85' Scholarship (MSHS)	1,000
Juan Garcia Farmworker Scholarship	10,500
Total Deductions	<u>31,759</u>
Change in Net Position	(1,127)
Net Position - Beginning	<u>87,039</u>
Net Position - Ending	<u>\$ 85,912</u>

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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JUNE 30, 2018

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, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred. As of June 30, 2018, the District had \$13,508 of prepaid expenditures recorded in the General Fund for travel and conferences.

Stores Inventories

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

Capital Assets and Depreciation

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Interfund Balances

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

Compensated Absences

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

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

Accounts Payable and Long-Term Obligations

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

Premiums

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

MADERA UNIFIED SCHOOL DISTRICT

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$26,292,115 of restricted net position.

Interfund Activity

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Estimates

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

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;

MADERA UNIFIED SCHOOL DISTRICT

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- 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; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 183,474,207
Fiduciary funds	543,890
Total Deposits and Investments	<u>\$ 184,018,097</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 501,795
Cash in revolving	30,140
Investments	183,486,162
Total Deposits and Investments	<u>\$ 184,018,097</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More Than 60 Months</u>
County Pool	<u>\$ 181,057,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,057,372</u>	<u>\$ -</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, \$310,178 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, 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	\$ 2,715,582	\$ 2,052,704	\$ 4,768,286	\$ -
State Government				
State grants and entitlements	3,466,069	374,522	3,840,591	-
Local Sources	493,511	161,795	655,306	1,013
Total Fund Statements	<u>\$ 6,675,162</u>	<u>\$ 2,589,021</u>	<u>\$ 9,264,183</u>	<u>\$ 1,013</u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	39,356,708	18,175,581	5,283,410	52,248,879
Total Capital Assets Not Being Depreciated	<u>53,120,040</u>	<u>18,175,581</u>	<u>5,283,410</u>	<u>66,012,211</u>
Capital Assets being depreciated				
Land improvements	20,067,380	871,031	-	20,938,411
Buildings and improvements	232,796,236	7,716,263	-	240,512,499
Furniture and equipment	30,011,660	1,663,394	364,555	31,310,499
Total Capital Assets Being Depreciated	<u>282,875,276</u>	<u>10,250,688</u>	<u>364,555</u>	<u>292,761,409</u>
Less Accumulated Depreciation				
Land improvements	6,076,659	955,074	-	7,031,733
Buildings and improvements	73,426,807	4,782,049	-	78,208,856
Furniture and equipment	19,129,789	2,094,364	362,720	20,861,433
Total Accumulated Depreciation	<u>98,633,255</u>	<u>7,831,487</u>	<u>362,720</u>	<u>106,102,022</u>
Governmental Activities Capital Assets, Net	<u><u>\$237,362,061</u></u>	<u><u>\$20,594,782</u></u>	<u><u>\$5,285,245</u></u>	<u><u>\$252,671,598</u></u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,229,003
School Administration	156,630
Pupil Transportation	1,566,297
Food Services	78,315
General Administration	469,889
Data Processing Services	391,574
Plant Maintenance and Operations	939,779
Total Depreciation Expenses, Governmental Activities	<u><u>\$ 7,831,487</u></u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 501,389	\$ 275
Building	-	1,128,365
Special Reserve Capital Outlay	1,128,365	-
Total Major Governmental Funds	<u>1,629,754</u>	<u>1,128,640</u>
Non-Major Governmental Funds		
Adult Education	-	341,277
Child Development	275	29,140
Cafeteria	-	130,972
Total Non-Major Governmental Funds	<u>275</u>	<u>501,389</u>
Total All Governmental Funds	<u>\$ 1,630,029</u>	<u>\$ 1,630,029</u>

The General Fund owes the Child Development Non-Major Governmental Fund for adjustments to payroll expense.	\$ 94
The General Fund owes the Child Development Non-Major Governmental Fund for adjustments to indirect costs.	181
The Adult Education Non-Major Governmental Fund owes the General Fund for adjustments to indirect costs.	1,311
The Adult Education Non-Major Governmental Fund owes the General Fund for adjustments to workers' compensation.	13,966
The Adult Education Non-Major Governmental Fund owes the General Fund for a temporary loan.	326,000
The Child Development Non-Major Governmental Fund owes the General Fund for adjustments to indirect costs.	5,600
The Child Development Non-Major Governmental Fund owes the General Fund for adjustments to workers' compensation.	23,540
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	71,899
The Cafeteria Non-Major Governmental Fund owes the General Fund for adjustments to workers' compensation.	59,073
The Building Fund owes the Special Reserve Capital Outlay Fund for construction project costs.	1,128,365
Total	<u>\$ 1,630,029</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for future new school construction needs.	\$ 16,649,761
The Cafeteria Non-Major Governmental Fund transferred to the General Fund for salary expense corrections.	5,664
The Capital Facilities Non-Major Governmental Fund transferred to the General Fund for the allowable three percent developer administration fee.	50,333
The Capital Facilities Non-Major Governmental Fund transferred to the COP Debt Service Non-Major Governmental Fund for current debt service payments.	<u>1,186,313</u>
Total	<u><u>\$ 17,892,071</u></u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consist of the following:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total	Scholarship Trusts
Vendor payables	\$ 2,670,848	\$ 5,197,310	\$ 153,019	\$ 178,887	\$ 8,200,064	\$ 1,177
Deferred payroll	4,993,989	-	-	-	4,993,989	-
State principal apportionment	364,471	-	-	-	364,471	-
Health and welfare benefits	6,075,301	-	-	-	6,075,301	-
Accrued salaries	3,208,293	-	-	97,966	3,306,259	-
Total	<u><u>\$ 17,312,902</u></u>	<u><u>\$ 5,197,310</u></u>	<u><u>\$ 153,019</u></u>	<u><u>\$ 276,853</u></u>	<u><u>\$ 22,940,084</u></u>	<u><u>\$ 1,177</u></u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 192,757	\$ -	\$ 192,757
State categorical aid	2,860,449	223,676	3,084,125
Local sources	91,606	-	91,606
Total	<u>\$ 3,144,812</u>	<u>\$ 223,676</u>	<u>\$ 3,368,488</u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2017, as restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds-2005 Capital Appreciation Bonds	\$ 24,561,616	\$ 1,190,920	\$ -	\$ 25,752,536	\$ 1,925,000
General obligation bonds-2006 Capital Appreciation Bonds	3,242,169	158,931	-	3,401,100	-
General obligation bonds-2007 Capital Appreciation Bonds	14,707,345	664,965	-	15,372,310	-
2012 Refunding general obligation bonds	11,265,000	-	510,000	10,755,000	575,000
Premium	386,857	-	32,238	354,619	-
2014 Refunding general obligation bonds	13,425,000	-	3,085,000	10,340,000	1,535,000
Premium	1,749,582	-	249,940	1,499,642	-
General obligation bonds-2015 Current Interest Bonds	4,570,000	-	2,720,000	1,850,000	1,850,000
Premium	99,874	-	99,874	-	-
General obligation bonds-2016 Current Interest Bonds	4,501,000	-	-	4,501,000	-
Premium	261,359	-	10,890	250,469	-
General obligation bonds-2017 Current Interest Bonds	63,000,000	-	-	63,000,000	440,000
Premium	6,229,070	-	214,180	6,014,890	-
Certificates of participation-2014	14,690,000	-	630,000	14,060,000	650,000
State Preschool Revolving Loan	18,735	-	18,735	-	-
Compensated absences - net	543,671	-	380,473	163,198	-
District early retirement program	104,285	125,049	99,910	129,424	-
PARS early retirement program	1,826,391	-	456,598	1,369,793	-
Capital leases	3,206,201	-	334,525	2,871,676	297,298
Other postemployment benefits (OPEB) liability-District Plan	30,976,065	1,562,367	2,680,864	29,857,568	-
Other postemployment benefits (OPEB)-Medicare Premium Payment (MPP) Program	1,373,175	-	90,184	1,282,991	-
Total	<u>\$ 200,737,395</u>	<u>\$ 3,702,232</u>	<u>\$ 11,613,411</u>	<u>\$ 192,826,216</u>	<u>\$ 7,272,298</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2017	Issued/ Accreted	Redeemed/ Defeased	Bonds Outstanding June 30, 2018
Current Interest Bonds:							
2012 - Refunding General Obligation Bonds							
2/22/12	8/2012-8/2028	2.0-3.625%	\$ 12,925,000	\$ 11,265,000	\$ -	\$ 510,000	\$ 10,755,000
2014 - Refunding General Obligation Bonds							
12/3/14	8/2015-8/2024	3.0-5.0%	15,535,000	13,425,000	-	3,085,000	10,340,000
2014 - Series 2015 General Obligation Bonds							
9/1/15	8/2016-8/2018	2.0-4.0%	7,000,000	4,570,000	-	2,720,000	1,850,000
2006 - Series 2016 General Obligation Bonds							
8/3/16	8/2032-8/2040	2.5-2.875%	4,501,000	4,501,000	-	-	4,501,000
2014 - Series 2017 General Obligation Bonds							
6/1/17	8/2018-8/2046	2.0-5.0%	63,000,000	63,000,000	-	-	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	24,561,616	1,190,920	-	25,752,536
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	3,242,169	158,931	-	3,401,100
2006 - Series 2007 General Obligation Bonds							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	14,707,345	664,965	-	15,372,310
Total				<u>\$ 139,272,130</u>	<u>\$ 2,014,816</u>	<u>\$ 6,315,000</u>	<u>\$ 134,971,946</u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Debt Service Requirements to Maturity

2012 Refunding Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	860,000	306,369	1,166,369
2024-2028	5,710,000	962,420	6,672,420
2029	1,465,000	53,106	1,518,106
Total	<u>\$ 10,755,000</u>	<u>\$ 2,799,171</u>	<u>\$ 13,554,171</u>

2014 Refunding Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,925,000	202,250	2,127,250
2024-2025	2,120,000	106,000	2,226,000
Total	<u>\$ 10,340,000</u>	<u>\$ 1,924,000</u>	<u>\$ 12,264,000</u>

2014 - Series 2015 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	<u>\$ 1,850,000</u>	<u>\$ 37,000</u>	<u>\$ 1,887,000</u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2006 - Series 2016 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 154,531	\$ 154,531
2020	-	154,531	154,531
2021	-	154,531	154,531
2022	-	154,531	154,531
2023	-	154,531	154,531
2024-2028	-	772,655	772,655
2029-2033	446,000	767,080	1,213,080
2034-2038	2,400,000	555,359	2,955,359
2039-2041	1,655,000	107,424	1,762,424
Total	<u>\$ 4,501,000</u>	<u>\$ 2,975,173</u>	<u>\$ 7,476,173</u>

2014 - Series 2017 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	150,000	2,569,000	2,719,000
2024-2028	2,405,000	12,631,950	15,036,950
2029-2033	6,170,000	11,619,375	17,789,375
2034-2038	11,220,000	9,851,350	21,071,350
2039-2043	18,315,000	6,543,025	24,858,025
2044-2047	21,385,000	1,792,500	23,177,500
Total	<u>\$ 63,000,000</u>	<u>\$ 55,491,300</u>	<u>\$ 118,491,300</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Capital Appreciation Bonds

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

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2006 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019	\$ 1,925,000	\$ 1,925,000	\$ -	\$ -	\$ -	\$ -
2020	2,015,000	1,921,101	280,000	268,072	-	-
2021	2,100,000	1,906,800	295,000	270,279	-	-
2022	2,200,000	1,900,800	305,000	267,302	-	-
2023	2,300,000	1,888,760	325,000	272,155	-	-
2024-2028	13,140,000	9,203,853	1,840,000	1,338,618	10,720,000	7,700,162
2029-2032	12,450,000	7,006,222	1,860,000	984,674	12,830,000	7,672,148
Total	<u>\$ 36,130,000</u>	<u>\$ 25,752,536</u>	<u>\$ 4,905,000</u>	<u>\$ 3,401,100</u>	<u>\$ 23,550,000</u>	<u>\$ 15,372,310</u>

Certificates of Participation

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

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
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	760,000	422,409	1,182,409
2024-2028	4,245,000	1,640,392	5,885,392
2029-2033	5,140,000	734,535	5,874,535
2034	1,150,000	22,252	1,172,252
Total	<u>\$ 14,060,000</u>	<u>\$ 4,787,191</u>	<u>\$ 18,847,191</u>

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 Cesar Chavez site, and the Pershing site. The District loan was paid in full during the 2017-2018 fiscal year.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2018, amounted to \$163,198.

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 \$129,424 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement program totaled \$99,910.

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, 2018, is \$1,369,793.

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:

	<u>Leases</u>
Balance, July 1, 2017	\$ 3,206,201
Payments	334,525
Balance, June 30, 2018	<u>\$ 2,871,676</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2019	\$ 391,039
2020	391,039
2021	391,039
2022	391,039
2023	391,039
2024-2027	<u>1,368,634</u>
Total	3,323,829
Less: Amount Representing Interest	<u>452,153</u>
Present Value of Minimum Lease Payments	<u>\$ 2,871,676</u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 29,857,568	\$ 2,317,178	\$ 1,562,367
Medicare Premium Payment (MPP) Program	1,282,991	-	(90,184)
Total	<u>\$ 31,140,559</u>	<u>\$ 2,317,178</u>	<u>\$ 1,472,183</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

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

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Madera Unified Teachers Association (MUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, MUTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid \$2,317,178 in benefits.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Total OPEB Liability of the District

Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.0 percent, average, including inflation
Investment rate of return	3.13 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.0 percent for 2017 and thereafter

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

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

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 30,976,065
Service cost	634,449
Interest	927,918
Benefit payments	(2,680,864)
Net change in total OPEB liability	(1,118,497)
Balance at June 30, 2017	<u>\$ 29,857,568</u>

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.13%)	\$ 32,492,470
Current discount rate (3.13%)	29,857,568
1% increase (4.13%)	27,516,781

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (4.0%)	\$ 29,494,858
Current healthcare cost trend rate (5.0%)	29,857,568
1% increase (6.0%)	30,284,205

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$1,282,991 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.3050 percent, and 0.2934 percent, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(90,184).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.58%)	\$ 1,420,360
Current discount rate (3.58%)	1,282,991
1% increase (4.58%)	1,149,370

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,159,378
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,282,991
1% increase (4.7% Part A and 5.1% Part B)	1,405,368

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	503,164	-	-	258,863	762,027
Prepaid expenditures	13,508	-	-	-	13,508
Total Nonspendable	541,672	-	-	264,003	805,675
Restricted					
Legally restricted programs	2,633,932	-	-	3,000,321	5,634,253
Capital projects	-	53,159,205	-	7,343,745	60,502,950
Debt service	-	-	-	13,052,114	13,052,114
Total Restricted	2,633,932	53,159,205	-	23,396,180	79,189,317
Committed					
Adult education program	-	-	-	3,883	3,883
Assigned					
School site/athletics	484,165	-	-	-	484,165
Supplemental concentration	1,535,071	-	-	-	1,535,071
Visual and performing arts	23,504	-	-	-	23,504
Technology reimbursement	678,505	-	-	-	678,505
Textbook adoptions	903,255	-	-	-	903,255
Career technical education	2,889,374	-	-	-	2,889,374
Future E-Rate projects	864,918	-	-	-	864,918
Vacation accrual	480,179	-	-	-	480,179
Capital projects	-	-	39,187,090	-	39,187,090
Total Assigned	7,858,971	-	39,187,090	-	47,046,061
Unassigned					
Reserve for economic uncertainties	7,519,688	-	-	-	7,519,688
Remaining unassigned	32,640,729	-	-	-	32,640,729
Total Unassigned	40,160,417	-	-	-	40,160,417
Total	\$ 51,194,992	\$ 53,159,205	\$ 39,187,090	\$ 23,664,066	\$ 167,205,353

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with the California Risk Management Authority (CRMA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

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

Employee Medical Benefits

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, 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:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 155,779,286	\$ 51,989,709	\$ 6,865,878	\$ 17,716,541
CalPERS	53,481,744	18,864,483	629,681	11,091,304
Total	<u>\$ 209,261,030</u>	<u>\$ 70,854,192</u>	<u>\$ 7,495,559</u>	<u>\$ 28,807,845</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were \$13,979,472.

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

At June 30, 2018, 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	\$ 155,779,286
State's proportionate share of the net pension liability associated with the District	<u>92,157,710</u>
Total	<u><u>\$ 247,936,996</u></u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.1684 percent and 0.1650 percent, resulting in a net increase in the proportionate share of 0.0034 percent.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$17,716,541. In addition, the District recognized pension expense and revenue of \$9,276,558 for support provided by the State. At June 30, 2018, 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	\$ 13,979,472	\$ -
Net change in proportionate share of net pension liability	8,574,218	-
Difference between projected and actual earnings on pension plan investments	-	4,148,837
Differences between expected and actual experience in the measurement of the total pension liability	576,087	2,717,041
Changes of assumptions	28,859,932	-
Total	<u>\$ 51,989,709</u>	<u>\$ 6,865,878</u>

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

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

Year Ended June 30,	Deferred Inflows of Resources
2019	\$ (3,449,082)
2020	2,609,937
2021	376,337
2022	(3,686,029)
Total	<u>\$ (4,148,837)</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 6,202,489
2020	6,202,489
2021	6,202,489
2022	6,202,488
2023	5,198,195
Thereafter	5,285,046
Total	<u>\$ 35,293,196</u>

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 228,733,448
Current discount rate (7.10%)	155,779,286
1% increase (8.10%)	96,572,040

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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 percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, are presented above and the total District contributions were \$4,789,564.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$53,481,744. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.2240 percent and 0.2119 percent, resulting in a net increase in the proportionate share of 0.0121 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$11,091,304. At June 30, 2018, 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	\$ 4,789,564	\$ -
Net change in proportionate share of net pension liability	2,496,936	-
Difference between projected and actual earnings on pension plan investments	1,850,102	-
Differences between expected and actual experience in the measurement of the total pension liability	1,916,031	-
Changes of assumptions	7,811,850	629,681
Total	<u>\$ 18,864,483</u>	<u>\$ 629,681</u>

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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
2019	\$ (50,132)
2020	2,134,616
2021	778,733
2022	(1,013,115)
Total	<u>\$ 1,850,102</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 4,513,570
2020	3,921,504
2021	3,160,062
Total	<u>\$ 11,595,136</u>

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 78,688,784
Current discount rate (7.15%)	53,481,744
1% increase (8.15%)	32,570,394

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$7,494,395 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Matilda Torres High School	<u>\$ 171,600,000</u>	August 2020

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

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

During the year ended June 30, 2018, the District made payment of \$3,092,517 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2018, the District made payment of \$38,938,416 to CVT for health and welfare benefits.

NOTE 15 - SUBSEQUENT EVENTS

On August 16, 2018, the District issued \$75,070,000 of Certificates of Participation at an interest rate of 5.0 percent. The certificates, which mature through September 1, 2048, have been issued for the construction of a new high school within the District.

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 103,724,714
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(28,552,915)</u>
Net Position - Beginning as Restated	<u><u>\$ 75,171,799</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MADERA UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 203,975,467	\$ 203,256,658	\$ 202,604,078	\$ (652,580)
Federal sources	12,495,615	18,451,740	14,763,871	(3,687,869)
Other State sources	14,403,675	21,008,141	20,584,736	(423,405)
Other local sources	4,433,747	6,242,968	6,546,339	303,371
Total Revenues	235,308,504	248,959,507	244,499,024	(4,460,483)
EXPENDITURES				
Current				
Certificated salaries	101,737,592	101,649,992	98,552,452	3,097,540
Classified salaries	30,277,389	31,028,754	30,234,755	793,999
Employee benefits	65,863,464	62,873,697	63,391,497	(517,800)
Books and supplies	13,450,279	22,191,545	12,999,944	9,191,601
Services and operating expenditures	19,857,664	25,158,305	20,806,054	4,352,251
Other outgo	2,393,130	7,943,523	2,530,012	5,413,511
Capital outlay	761,816	11,548,450	5,052,947	6,495,503
Debt service - principal	334,525	334,525	334,525	-
Debt service - interest	104,329	104,329	109,080	(4,751)
Total Expenditures	234,780,188	262,833,120	234,011,266	28,821,854
Excess (Deficiency) of Revenues Over Expenditures	528,316	(13,873,613)	10,487,758	24,361,371
Other Financing Sources (Uses)				
Transfers in	30,000	35,664	55,997	20,333
Other sources	-	95,803	-	(95,803)
Transfers out	(11,177,217)	(11,177,217)	(16,649,761)	(5,472,544)
Other uses	(7,000)	(7,000)	-	7,000
Net Financing Sources (Uses)	(11,154,217)	(11,052,750)	(16,593,764)	(5,541,014)
NET CHANGE IN FUND BALANCES	(10,625,901)	(24,926,363)	(6,106,006)	18,820,357
Fund Balance - Beginning	57,300,998	57,300,998	57,300,998	-
Fund Balance - Ending	\$ 46,675,097	\$ 32,374,635	\$ 51,194,992	\$ 18,820,357

See accompanying note to required supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 634,449
Interest	927,918
Benefit payments	<u>(2,680,864)</u>
Net change in total OPEB liability	<u>(1,118,497)</u>
Total OPEB liability - beginning	<u>30,976,065</u>
Total OPEB liability - ending	<u><u>\$ 29,857,568</u></u>
Covered payroll	<u>N/A¹</u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

See accompanying note to required supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.1684%</u>	<u>0.1650%</u>
District's proportionate share of the net pension liability	\$ 155,779,286	\$133,433,285
State's proportionate share of the net pension liability associated with the District	<u>92,157,710</u>	<u>75,961,189</u>
Total	<u>\$ 247,936,996</u>	<u>\$ 209,394,474</u>
District's covered - employee payroll	<u>\$ 90,127,401</u>	<u>\$ 83,354,240</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>172.84%</u>	<u>160.08%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.2240%</u>	<u>0.2119%</u>
District's proportionate share of the net pension liability	<u>\$ 53,481,744</u>	<u>\$ 41,858,308</u>
District's covered - employee payroll	<u>\$ 28,608,648</u>	<u>\$ 25,446,577</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>186.94%</u>	<u>164.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.1630%</u>	<u>0.1504%</u>
\$109,768,136	\$ 87,863,363
<u>58,055,243</u>	<u>53,055,692</u>
<u>\$ 167,823,379</u>	<u>\$ 140,919,055</u>
<u>\$ 74,943,153</u>	<u>\$ 68,012,364</u>
<u>146.47%</u>	<u>129.19%</u>
<u>74%</u>	<u>77%</u>
<u>0.2062%</u>	<u>0.1894%</u>
<u>\$ 30,391,170</u>	<u>\$ 21,502,181</u>
<u>\$ 22,981,956</u>	<u>\$ 20,186,890</u>
<u>132.24%</u>	<u>106.52%</u>
<u>79%</u>	<u>83%</u>

MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 13,979,472	\$ 11,338,027
Contributions in relation to the contractually required contribution	<u>13,979,472</u>	<u>11,338,027</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 96,877,838</u>	<u>\$ 90,127,401</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
CalPERS		
Contractually required contribution	\$ 4,789,564	\$ 3,973,169
Contributions in relation to the contractually required contribution	<u>4,789,564</u>	<u>3,973,169</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 30,838,735</u>	<u>\$ 28,608,648</u>
Contributions as a percentage of covered - employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 8,943,910	\$ 6,654,952
<u>8,943,910</u>	<u>6,654,952</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 83,354,240	\$ 74,943,153
<u>10.73%</u>	<u>8.88%</u>
\$ 3,014,656	\$ 2,705,206
<u>3,014,656</u>	<u>2,705,206</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 25,446,577	\$ 22,981,956
<u>11.847%</u>	<u>11.771%</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

Changes of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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, 2018**

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 - ESSC	84.215E	N/A	\$ 176,663
Fund For The Improvement of Education - Carol M. White	84.215F	N/A	367,277
Passed Through California Department of Education (CDE):			
Title I - Part A, Basic	84.010	14329	8,104,216
Title I - Part C, Migrant	84.011	14326	470,889
Title I - Part C, Migrant Summer	84.011	10005	18,223
Title I - Part G, Advanced Placement Fee Program	84.330B	14831	7,270
Title II - Part A, Supporting Effective Instruction	84.367	14341	721,938
Title III - English Language Acquisition - LEP	84.365	14346	93,454
Title IV - Part B, 21st Century CLC Program	84.287	14349	2,873,882
Adult Education, Basic	84.002A	14508	100,857
Adult Education, English Literacy and Civics Education	84.002A	14109	34,333
Adult Education, Secondary Education	84.002	13978	90,422
Adult Education, Institutionalized Adults	84.002	13971	9,432
Special Education, Basic Local Assistance	84.027	13379	1,184,722
Special Education, Basic Local Assistance, Private School	84.027	10115	2,658
Career and Technical Education: Adult, Section 132	84.048	14893	216,539
Career and Technical Education: Secondary, Section 131	84.048	14894	4,791
Total U.S. Department of Education			<u>14,477,566</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	8,622,292
Basic Breakfast	10.553	13525	80,492
Especially Needy Breakfast	10.553	13526	2,479,657
Meals Supplements-Snack	10.555	13391	370,816
Food Distribution-Commodities	10.555	13391	1,246,333
Summer Food Program	10.559	13004	64,119
Subtotal Child Nutrition Cluster			<u>12,863,709</u>
Fresh Fruit and Vegetable Program	10.582	14968	<u>386,267</u>
Total U.S. Department of Agriculture			<u>13,249,976</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	103,595
Medi-Cal Administrative Activities	93.778	10060	422,545
Total U.S. Department of Health and Human Services			<u>526,140</u>
Total Expenditures of Federal Awards			<u>\$ 28,253,682</u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Al Galvez	President	2018
Ed McIntyre	Clerk	2018
Ricardo Arredondo	Trustee	2020
Brent Fernandes	Trustee	2018
Phillip Huerta	Trustee	2018
Ruben Mendoza	Trustee	2020
Ray G. Seibert	Trustee	2020

ADMINISTRATION

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

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,142.95	6,148.27
Fourth through sixth	4,696.00	4,695.20
Seventh and eighth	2,945.68	2,932.43
Ninth through twelfth	5,191.82	5,131.14
Total Regular ADA	<u>18,976.45</u>	<u>18,907.04</u>
Extended Year Special Education		
Transitional kindergarten through third	1.90	1.90
Fourth through sixth	1.26	1.26
Ninth through twelfth	0.38	0.38
Total Extended Year Special Education	<u>3.54</u>	<u>3.54</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.09
Fourth through sixth	0.95	0.87
Ninth through twelfth	0.99	0.93
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.94</u>	<u>1.89</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.18	0.18
Ninth through twelfth	0.15	0.15
Total Special Education, Nonpublic, Nonsectarian Schools	<u>0.33</u>	<u>0.33</u>
Community Day School		
Seventh and eighth	8.73	10.45
Ninth through twelfth	34.51	36.32
Total Community Day School	<u>43.24</u>	<u>46.77</u>
Total ADA	<u><u>19,025.50</u></u>	<u><u>18,959.57</u></u>

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,980	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,860	180	N/A	Complied
Grade 2		55,860	180	N/A	Complied
Grade 3		55,860	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,860	180	N/A	Complied
Grade 5		55,860	180	N/A	Complied
Grade 6		55,860	180	N/A	Complied
Grade 7		55,980	180	N/A	Complied
Grade 8		55,980	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		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, 2018**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND				
Revenues and other sources	\$ 261,782,108	\$ 244,555,021	\$ 234,508,233	\$ 226,998,611
Expenditures and other uses	<u>270,829,841</u>	<u>250,661,027</u>	<u>232,861,924</u>	<u>212,380,358</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ (9,047,733)</u>	<u>\$ (6,106,006)</u>	<u>\$ 1,646,309</u>	<u>\$ 14,618,253</u>
ENDING FUND BALANCE	<u>\$ 42,147,259</u>	<u>\$ 51,194,992</u>	<u>\$ 57,300,998</u>	<u>\$ 55,654,689</u>
AVAILABLE RESERVES ²	<u>\$ 34,086,646</u>	<u>\$ 40,160,417</u>	<u>\$ 45,254,207</u>	<u>\$ 40,874,553</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>12.6%</u>	<u>16.0%</u>	<u>19.4%</u>	<u>19.2%</u>
LONG-TERM OBLIGATIONS ³	<u>Not Available</u>	<u>\$ 192,826,216</u>	<u>\$ 200,737,395</u>	<u>\$ 104,468,571</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>19,079</u>	<u>19,026</u>	<u>19,064</u>	<u>18,858</u>

The General Fund balance has decreased by \$4,459,697 over the past two years. The fiscal year 2018-2019 budget projects a further decrease of \$9,047,733 (17.67 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 2018-2019 fiscal year. Total long-term obligations have increased by \$88,357,645 over the past two years due primarily to the issuance of general obligation bonds and to the implementation of GASB Statement No. 75.

Average daily attendance has increased by 168 over the past two years. Additional growth of 53 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 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.

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

See accompanying note to supplementary information.

MADERA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
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, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 212,755	\$ 537,529	\$ 678,423
Receivables	308,649	152,476	2,099,631
Due from other funds	-	275	-
Stores inventories	-	-	258,863
Total Assets	\$ 521,404	\$ 690,280	\$ 3,036,917
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 36,732	\$ 98,372	\$ 120,225
Due to other funds	341,277	29,140	130,972
Unearned revenue	-	223,676	-
Total Liabilities	378,009	351,188	251,197
Fund Balances:			
Nonspendable	2,000	-	262,003
Restricted	137,512	339,092	2,523,717
Committed	3,883	-	-
Total Fund Balances	143,395	339,092	2,785,720
Total Liabilities and Fund Balances	\$ 521,404	\$ 690,280	\$ 3,036,917

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
\$ 5,268,116	\$ 2,081,354	\$ 12,266,825	\$ 772,823	\$ 21,817,825
15,799	-	12,466	-	2,589,021
-	-	-	-	275
-	-	-	-	258,863
<u>\$ 5,283,915</u>	<u>\$ 2,081,354</u>	<u>\$ 12,279,291</u>	<u>\$ 772,823</u>	<u>\$ 24,665,984</u>
\$ -	\$ 21,524	\$ -	\$ -	\$ 276,853
-	-	-	-	501,389
-	-	-	-	223,676
<u>-</u>	<u>21,524</u>	<u>-</u>	<u>-</u>	<u>1,001,918</u>
-	-	-	-	264,003
5,283,915	2,059,830	12,279,291	772,823	23,396,180
-	-	-	-	3,883
<u>5,283,915</u>	<u>2,059,830</u>	<u>12,279,291</u>	<u>772,823</u>	<u>23,664,066</u>
<u>\$ 5,283,915</u>	<u>\$ 2,081,354</u>	<u>\$ 12,279,291</u>	<u>\$ 772,823</u>	<u>\$ 24,665,984</u>

MADERA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 239,835	\$ -	\$ 13,249,976
Other State sources	1,015,316	2,467,806	890,887
Other local sources	220,414	92,791	155,372
Total Revenues	1,475,565	2,560,597	14,296,235
EXPENDITURES			
Current			
Instruction	628,416	1,951,333	-
Instruction-related activities:			
Supervision of instruction	10,506	304,839	-
School site administration	672,014	607	-
Pupil services:			
Food services	-	-	13,927,593
All other pupil services	8,715	43,395	-
Administration:			
All other administration	57,499	134,504	726,107
Plant services	308,460	87,232	384,160
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	18,735	-
Interest and other	-	-	-
Total Expenditures	1,685,610	2,540,645	15,037,860
Excess (Deficiency) of Revenues Over Expenditures	(210,045)	19,952	(741,625)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	(5,664)
Net Financing Sources (Uses)	-	-	(5,664)
NET CHANGE IN FUND BALANCES	(210,045)	19,952	(747,289)
Fund Balance - Beginning	353,440	319,140	3,533,009
Fund Balance - Ending	\$ 143,395	\$ 339,092	\$ 2,785,720

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
\$ -	\$ -	\$ -	\$ -	\$ 13,489,811
-	-	59,439	-	4,433,448
2,704,038	28,354	7,344,989	4,081	10,550,039
<u>2,704,038</u>	<u>28,354</u>	<u>7,404,428</u>	<u>4,081</u>	<u>28,473,298</u>
-	-	-	-	2,579,749
-	-	-	-	315,345
-	-	-	-	672,621
-	-	-	-	13,927,593
-	-	-	-	52,110
16,900	-	-	-	935,010
-	-	-	-	779,852
-	695,429	-	-	695,429
-	-	6,315,000	630,000	6,963,735
-	-	2,962,451	556,129	3,518,580
<u>16,900</u>	<u>695,429</u>	<u>9,277,451</u>	<u>1,186,129</u>	<u>30,440,024</u>
<u>2,687,138</u>	<u>(667,075)</u>	<u>(1,873,023)</u>	<u>(1,182,048)</u>	<u>(1,966,726)</u>
-	-	-	1,186,313	1,186,313
(1,236,646)	-	-	-	(1,242,310)
<u>(1,236,646)</u>	<u>-</u>	<u>-</u>	<u>1,186,313</u>	<u>(55,997)</u>
1,450,492	(667,075)	(1,873,023)	4,265	(2,022,723)
3,833,423	2,726,905	14,152,314	768,558	25,686,789
<u>\$ 5,283,915</u>	<u>\$ 2,059,830</u>	<u>\$ 12,279,291</u>	<u>\$ 772,823</u>	<u>\$ 23,664,066</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Madera Unified School District
Madera, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madera Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Madera Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madera Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 December 10, 2018.

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.

Varinuk, Trine, Day + Co. LLP

Fresno, California
December 10, 2018



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

Governing Board
Madera Unified School District
Madera, California

Report on Compliance for Each Major Federal Program

We have audited Madera Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Madera Unified School District's major Federal programs for the year ended June 30, 2018. Madera Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Madera Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

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.

Varinck, Trine, Day & Co. LLP

Fresno, California
December 10, 2018



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Madera Unified School District
Madera, California

Report on State Compliance

We have audited Madera Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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 *2017-2018 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, 2018.

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
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

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

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

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

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

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

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

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
December 10, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADERA UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Part A, Basic</u>
<u>84.367</u>	<u>Title II - Part A, Supporting Effective Instruction</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 847,610</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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MADERA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

MADERA UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Madera Unified School District
Madera, California

In planning and performing our audit of the financial statements of Madera Unified School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2018, on the government-wide financial statements of the District.

JEFFERSON MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit of the cash receipts procedures at the site, we found that sub-receipts or a class roster/log do not always have dates included on them. Without the date, auditor could not determine how long the teacher/advisor held onto the monies before turning them into the ASB Bookkeeper.

Recommendation

Prenumbered receipts or a class roster/log should be used for all collections by teachers and advisors. Documentation of what the funds are for, the amount being collected, whom it's being collected from and the date it was collected (changed custody). The ASB Bookkeeper should reconcile all funds received to the cash count sheet and prenumbered sub-receipts or class roster/log. If any discrepancies are noted, the ASB Bookkeeper should notify the teacher or advisor immediately.

Cash Disbursements

Observation

In auditing the cash disbursement procedures at the site, we noted several instances where expenditures had approvals dated after the invoice date or did not have purchase orders or requisitions indicating the expenditure was preapproved.

Recommendation

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

Revenue Potentials

Observation

During our audit, we found that Revenue Potential forms are not always completed for fundraising activities. The forms supply an element of internal control without which it is impossible to determine the financial outcome of a fundraiser.

Recommendation

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

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

Ticket Sales Recap Form and Master Ticket Log

Observation

During our audit, we found that a Ticket Sales Recap Form is not used at events to reconcile the number of tickets issued to the total cash amount received. Only a Cash Collection Sheet is used to document the cash being turned into ASB Bookkeeper. Also, the Master Ticket Log is not adequately completed.

Recommendation

A Ticket Sales Recap Form should be used in conjunction with the master log and should be used by the individuals issuing tickets and collecting funds at the events. The beginning and ending ticket numbers should be noted on the ticket recap form after the event and reconciled to the funds received prior to making the deposit with the ASB Bookkeeper. When the Ticket Sales Recap Form is received by the bookkeeper, the ending ticket number should be recorded in the Master Ticket Log and the sales recap form should be verified against the deposit.

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

Varrinck, Trine, Day + Co. LLP

Fresno, California
December 10, 2018