

MUROC JOINT UNIFIED SCHOOL DISTRICT

KERN COUNTY
NORTH EDWARDS, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 2018

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

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Financial Section



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Jeanette L. Garcia,
CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Muroc Joint Unified School District
North Edwards, 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 Muroc Joint Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Muroc Joint Unified School 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. 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 Muroc Joint 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.

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

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 4 through 11, General Fund Budgetary Comparison Schedule on page 44, Schedule of Changes in the District's Total OPEB Liability and Related Ratios page 45 and Schedules of the District's Proportionate Share of the Net Pension Liability and Contributions on pages 46 and 47 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 Muroc Joint Unified School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplemental information is presented for purposes of additional analysis as required by the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are 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 14, 2018, on our consideration of the Muroc Joint 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 the Muroc Joint 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 Muroc Joint Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jeanette L. Garcia + Associates". The signature is written in a cursive, flowing style.

San Bernardino, California
December 14, 2018

MUROC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

INTRODUCTION

The Management's Discussion and Analysis of Muroc Joint Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's letter, notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Muroc Joint Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The "Statement of Net Position" and "Statement of Activities" provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. "Fund Financial Statements" provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all special revenue funds and other non-major funds presented in total.
- The major funds for Muroc Joint Unified School District are the General Fund, the Building Fund and the County School Facilities Fund.
- The Management's Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances.

FINANCIAL HIGHLIGHTS

- The Muroc Joint Unified School District's Government-Wide Statement of Net Position shows Total Net Position of \$5,089,056, the result of assets and deferred outflows of resources of \$51,336,699 less liabilities and deferred inflows of resources of \$46,247,643.
- The District implemented GASB Statement No. 68, which requires the District to report its proportionate share of the Net Pension Liabilities of CalPERS and CalSTRS. At June 30, 2018, the District's proportionate share of the Net Pension Liabilities was \$18,658,074.
- GASB Statement No. 75 became effective this year, and accordingly, the District reported a Total OPEB Liability in the amount of \$5,059,557.
- General revenues accounted for \$29,701,777 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,936,100 or 12% of total revenues of \$33,637,877.
- The District had \$23,941,466 in expenses related to governmental activities; only \$3,936,100 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state revenue limit sources and property taxes) of \$29,701,777 provided the remaining \$20,005,366 required for these programs. This resulted in a positive change in Net Position of \$9,696,411.
- The General Fund reported a positive fund balance of \$5,690,479.

MUROC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

REPORTING THE DISTRICT AS A WHOLE

▪ THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Position" and "The Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. However, the Muroc Joint Unified School District's goal is to provide services to our students, not to generate profits as commercial entities do. The reader will need to consider other non-financial factors as well as factors such as property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the District.

In the "Statement of Net Position" and the "Statement of Activities," the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here, including instruction, pupil services including transportation and food services, administration, plant services, facilities acquisition and construction, interest on the long-term debt and other services.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. Muroc Joint Unified School District does not have any of these types of activities at this time.

▪ FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

▪ GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. Governmental funds include most of the primary funds of the District.

MURC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

▪ FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups. These funds include Associated Student Body funds.

The Muroc Joint Unified School District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The Muroc Joint Unified School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

▪ NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

▪ THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2017-18 and 2016-17.

Table 1 - Net Position

	Governmental Activities		%
	2018	2017*	
Current and Other Assets	\$ 23,928,660	\$ 15,105,497	58.4
Capital Assets	22,256,315	10,484,916	112.3
Total Assets	<u>46,184,975</u>	<u>25,590,413</u>	80.5
Deferred Outflows of Resources	<u>515,724</u>	<u>4,380,226</u>	(88.2)
Current Liabilities	3,551,947	2,878,257	23.4
Long-Term Debt	<u>42,051,245</u>	<u>30,811,801</u>	36.5
Total Liabilities	<u>45,603,192</u>	<u>33,690,058</u>	35.4
Deferred Inflows of Resources	<u>644,451</u>	<u>887,936</u>	(27.4)
Net Position			
Net Investment in Capital Assets	4,465,315	2,568,916	73.8
Restricted	15,779,247	6,970,809	126.4
Unrestricted	<u>(15,155,506)</u>	<u>(14,147,080)</u>	(7.1)
Total Net Position	<u>\$ 5,089,056</u>	<u>\$ (4,607,355)</u>	210.5

* Restated

MURC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

Table 2 shows the changes in net position for fiscal years 2017-18 and 2016-17.

Table 2 - Changes in Net Position

	Governmental Activities		% Change
	2018	2017	
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 107,565	\$ 94,701	13.6
Operating Grants and Contributions	3,828,535	3,042,065	25.9
<i>General Revenues:</i>			
Property Taxes	4,294,228	4,576,776	(6.2)
State and Federal Sources	23,978,060	16,860,250	42.2
Other General Revenue	1,429,489	456,849	212.9
Total Revenues	<u>33,637,877</u>	<u>25,030,641</u>	34.4
Expenses			
Instruction	15,682,199	13,201,931	18.8
Pupil Services	2,449,725	2,136,686	14.7
Administration	1,895,082	1,795,712	5.5
Maintenance and Operations	2,954,045	3,284,646	(10.1)
Other	960,415	1,042,811	(7.9)
Total Expenses	<u>23,941,466</u>	<u>21,461,786</u>	11.6
Change in Net Position	<u>\$ 9,696,411</u>	<u>\$ 3,568,855</u>	171.7

MURC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

▪ GOVERNMENTAL ACTIVITIES

Charges for services, operating grants and contributions, and capital grants and contributions made up 12% of revenues for governmental activities. General revenues not restricted to specific programs made up 88% of the total revenues available.

Instruction-related activities made up 66% of expenses. Pupil services including home-to-school transportation and food services made up 10%. Administration including data processing made up 8%. Maintenance and operations including facility acquisition and construction made up 12%. Other expenses made up the remaining 4%.

The "Statement of Activities" (Exhibit B) shows the cost of program services and the charges for services and operating grants and contributions offsetting those services.

Table 3 compares the total cost of services and the net cost of services between 2017-18 and 2016-17. The net cost of these services is the cost supported by tax revenue and unrestricted state entitlements.

Table 3 - Total and Net Cost of Governmental Activity

	Total Cost			
	2018	%	2017	%
Instruction	\$ 15,682,199	66	\$ 13,201,931	62
Pupil Services	2,449,725	10	2,136,686	10
Administration	1,895,082	8	1,795,712	8
Maintenance and Operations	2,954,045	12	3,284,646	15
Other	960,415	4	1,042,811	5
Total	\$ 23,941,466	100	\$ 21,461,786	100

	Net Cost			
	2018	%	2017	%
Instruction	\$ 12,728,324	63	\$ 10,832,246	59
Pupil Services	1,964,797	10	1,667,217	9
Administration	1,872,385	9	1,771,404	10
Maintenance and Operations	2,522,178	13	3,284,646	18
Other	917,682	5	769,507	4
Total	\$ 20,005,366	100	\$ 18,325,020	100

MUROC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

In April of each year, a Preliminary Budget is presented to the Board. Time is allocated during the Board meeting for public input and Board direction. A Tentative Budget is presented in late May, which reflects the latest known financial information, including the Governor's May Revise of the state budget. The Final Budget is presented for adoption in late June. During the course of the fiscal year, the District revises its budget as it deals with changes in revenues and expenditures. These reports include revisions based on state budget adoption that are normally presented in August if the state has an on-time budget. Adjustments to Actuals are presented in September, First Interim is normally presented in December, and Second Interim is normally presented in March.

▪ GENERAL FUND BUDGET VARIATIONS

For the General Fund, actual revenues were \$22,146,188 with original budget estimated at \$20,038,350. The difference of \$2,107,838 was due primarily to one time State and Federal funds received by the District.

There are several reasons for expenditure budget revisions. Most notable are any negotiated salary increases approved by the Board of Trustees for District employees. The original budget does not presume negotiated salary increases. Also, any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also require budget revisions.

The implementation of new instructional programs can also affect budget projections. New academically focused programs will impact expenditures in personnel, instructional materials, outside services and supplies.

MUROC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

▪ CAPITAL ASSETS AND DEBT ADMINISTRATION

• CAPITAL ASSETS

At the end of the fiscal year 2018, the District had \$22,256,315 invested in land, buildings, furniture and equipment. Table 4 shows the balance for fiscal years 2017-18 and 2016-17.

Table 4 - Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2018	2017
Land	\$ 60,014	\$ 60,014
Buildings and Improvements	4,512,816	4,953,937
Furniture and Equipment	1,338,842	1,545,086
Work in Progress	16,344,643	3,925,879
Total	<u>\$ 22,256,315</u>	<u>\$ 10,484,916</u>

• DEBT

At June 30, 2018, the Muroc Joint Unified School District had \$42,051,245 in outstanding debt. Table 5 summarizes these debts.

Table 5 - Outstanding Debt at Year-End

	Governmental Activities	
	2018	2017*
General Obligation Bond	\$ 16,000,000	\$ 6,000,000
Certificates of Participation	1,791,000	1,916,000
Total OPEB Liability	5,059,557	5,391,079
Net Pension Liability	18,658,074	16,839,812
Compensated Absences	121,988	77,754
Other General Long-Term Debt	420,626	587,156
Total	<u>\$ 42,051,245</u>	<u>\$ 30,811,801</u>

* Restated

MUROC JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2018

FOR THE FUTURE

The California Economy and State Budget played a direct role in the fiscal position of the District and many other educational entities as well as structured and unavoidable increased contributions to employee retirement systems. The District is now fully funded under the Local Control Funding Formula, and will continue to evaluate the effectiveness of current programs and ensure the always limited monies from State, Federal and other local sources are being spent so as to maximize the educational effectiveness of the District while ensuring long-term fiscal and instructional stability.

▪ CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trevor Walker, Chief Business Officer, 17100 Foothill Ave., North Edwards, CA 93523, (760) 769-4821.

MURC JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash (Note 2)	\$ 19,417,112
Accounts Receivable (Note 3)	4,508,118
Inventory	3,430
Total Current Assets	<u>23,928,660</u>
Capital Assets: (Note 6)	
Land	60,014
Buildings and Improvements	16,170,960
Furniture and Equipment	5,482,408
Work in Progress	16,344,643
Less Accumulated Depreciation	<u>(15,801,710)</u>
Total Capital Assets	<u>22,256,315</u>
 TOTAL ASSETS	 <u>46,184,975</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u> (Note 11)	 <u>5,151,724</u>
 <u>LIABILITIES</u>	
Accounts Payable and Other Current Liabilities	3,509,194
Unearned Revenue	42,753
Total Current Liabilities	<u>3,551,947</u>
Long-Term Liabilities: (Note 7)	
Portion Due or Payable Within One Year	753,850
Portion Due or Payable After One Year	41,297,395
Total Long-Term Liabilities	<u>42,051,245</u>
 TOTAL LIABILITIES	 <u>45,603,192</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u> (Note 11)	 <u>644,451</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	4,465,315
Restricted for:	
Capital Projects	12,936,530
Debt Service	1,840,864
Educational Programs	779,756
Other Purposes (Expendable)	208,167
Other Purposes (Nonexpendable)	13,930
Unrestricted	<u>(15,155,506)</u>
 TOTAL NET POSITION	 <u>\$ 5,089,056</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Activities	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental:					
Instruction	\$ 13,652,916	\$ -	\$ 2,534,144	\$ -	\$ (11,118,772)
Instruction-Related Services:					
Supervision of Instruction	602,151	-	389,520	-	(212,631)
Instructional Library, Media and Technology	138,218	-	-	-	(138,218)
School Site Administration	1,288,914	-	30,211	-	(1,258,703)
Pupil Services:					
Home-to-School Transportation	903,624	-	23,746	-	(879,878)
Food Services	528,182	107,565	310,506	-	(110,111)
All Other Pupil Services	1,017,919	-	43,111	-	(974,808)
General Administration:					
Data Processing	264	-	-	-	(264)
All Other General Administration	1,894,818	-	22,697	-	(1,872,121)
Plant Services	2,954,045	-	431,867	-	(2,522,178)
Ancillary Services	195,627	-	5,526	-	(190,101)
Community Services	17,554	-	21	-	(17,533)
Interest on Long-Term Debt	505,188	-	-	-	(505,188)
Other Outgo	242,046	-	37,186	-	(204,860)
Total Governmental Activities	\$ 23,941,466	\$ 107,565	\$ 3,828,535	\$ -	(20,005,366)
General Revenues:					
Taxes:					
Property Taxes, levied for general purposes					3,619,282
Levied for Debt Services					674,946
Federal and State Aid not restricted to specific purposes					23,978,060
Interest and Investment Earnings					216,413
Miscellaneous					90,584
Special and Extraordinary Items					1,122,492
Total General Revenues					29,701,777
Change in Net Position					9,696,411
Net Position - July 1, 2017, as Previously Reported					350,857
Adjustment for Restatement (Note 17)					(4,958,212)
Net Position - July 1, 2017, as Restated					(4,607,355)
Net Position - June 30, 2018					\$ 5,089,056

The Notes to Financial Statements are an integral part of this statement.

MURC JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2018

	GENERAL FUND	BUILDING FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash: (Note 2)					
Cash in County Treasury	\$ 1,982,529	\$ 13,321,515	\$ 1,967,460	\$ 2,128,866	\$ 19,400,370
Cash on Hand and in Banks	-	-	-	6,242	6,242
Cash In Revolving Fund	10,000	-	-	500	10,500
Accounts Receivable (Note 3)	2,422,725	56,694	2,017,098	11,601	4,508,118
Due from Other Funds (Note 4A)	2,407,113	-	39,310	1,039,446	3,485,869
Inventory	-	-	-	3,430	3,430
TOTAL ASSETS	\$ 6,822,367	\$ 13,378,209	\$ 4,023,868	\$ 3,190,085	\$ 27,414,529
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 1,049,689	\$ 1,265,594	\$ 875,951	\$ 14,702	\$ 3,205,936
Due to Other Funds (Note 4A)	39,446	63,435	3,280,961	102,027	3,485,869
Unearned Revenue	42,753	-	-	-	42,753
Total Liabilities	1,131,888	1,329,029	4,156,912	116,729	6,734,558
Fund Balances: (Note 5)					
Nonspendable	10,000	-	-	3,930	13,930
Restricted	779,756	12,049,180	-	88,957	12,917,893
Assigned	767,813	-	(133,044)	2,980,469	3,615,238
Unassigned	4,132,910	-	-	-	4,132,910
Total Fund Balances	5,690,479	12,049,180	(133,044)	3,073,356	20,679,971
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,822,367	\$ 13,378,209	\$ 4,023,868	\$ 3,190,085	\$ 27,414,529

The Notes to Financial Statements are an integral part of this statement.

MURC JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Total Fund Balances - Governmental Funds \$ 20,679,971

Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. The cost of the assets is \$38,058,025 and the accumulated depreciation is \$15,801,710. 22,256,315

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities at year-end consist of:

General Obligation Bond	\$ 16,000,000	
Certificates of Participation	1,791,000	
Total OPEB Liability	5,059,557	
Net Pension Liability	18,658,074	
Compensated Absences	121,988	
Other General Long-Term Debt	<u>420,626</u>	(42,051,245)

In governmental funds, deferred outflows and inflows of resources related to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to pensions are:

Deferred outflows of resources related to pensions	5,151,724
Deferred inflows of resources related to pensions	(644,451)

In the governmental funds, interest expense is recorded when paid. In the government-wide statements, interest is recorded when it is incurred. (303,258)

Total Net Position - Governmental Activities \$ 5,089,056

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND	BUILDING FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local Control Funding Formula Sources:					
State Apportionments	\$ 9,393,614	\$ -	\$ -	\$ -	\$ 9,393,614
Education Protection Account Funds	2,554,491	-	-	-	2,554,491
Local Sources	3,619,283	-	-	-	3,619,283
LCFF Transfers	(2,158)	-	-	-	(2,158)
Total LCFF Sources	15,565,230	-	-	-	15,565,230
Federal Revenues	3,382,475	-	8,851,781	287,521	12,521,777
Other State Revenues	2,179,388	-	-	278,978	2,458,366
Other Local Revenues	1,025,738	144,502	10,534	789,240	1,970,014
Total Revenues	22,152,831	144,502	8,862,315	1,355,739	32,515,387
EXPENDITURES					
Instruction	12,873,470	-	-	141,657	13,015,127
Instruction-Related Services:					
Supervision of Instruction	560,632	-	-	-	560,632
Instructional Library, Media and Technology	138,653	-	-	-	138,653
School Site Administration	1,299,518	-	-	-	1,299,518
Pupil Services:					
Home-to-School Transportation	897,616	-	-	-	897,616
Food Services	5,350	-	-	508,581	513,931
All Other Pupil Services	954,295	-	-	9,558	963,853
General Administration:					
Data Processing	260	-	-	-	260
All Other General Administration	1,850,619	-	-	-	1,850,619
Plant Services	3,170,975	1,474,691	5,294,120	-	9,939,786
Facilities Acquisition and Construction	-	1,566,858	3,665,535	-	5,232,393
Ancillary Services	186,612	-	-	-	186,612
Community Services	17,173	-	-	-	17,173
Other Outgo	91,892	150,154	-	-	242,046
Debt Service:					
Principal	125,000	-	-	-	125,000
Interest	78,774	-	-	209,774	288,548
Total Expenditures	22,250,839	3,191,703	8,959,655	869,570	35,271,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(98,008)	(3,047,201)	(97,340)	486,169	(2,756,380)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In (Note 4B)	-	-	-	110,396	110,396
Interfund Transfers Out (Note 4B)	(110,396)	-	-	-	(110,396)
Proceeds from Sale of Bonds	-	10,000,000	-	-	10,000,000
Other Sources	-	-	-	1,122,492	1,122,492
Total Other Financing Sources (Uses)	(110,396)	10,000,000	-	1,232,888	11,122,492
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(208,404)	6,952,799	(97,340)	1,719,057	8,366,112
FUND BALANCES - JULY 1, 2017	\$ 5,898,883	\$ 5,096,381	\$ (35,704)	\$ 1,354,299	\$ 12,313,859
FUND BALANCES - JUNE 30, 2018	\$ 5,690,479	\$ 12,049,180	\$ (133,044)	\$ 3,073,356	\$ 20,679,971

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	8,366,112
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$12,467,168 exceed depreciation expense of \$695,769 in the period.		11,771,399
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities.		(10,000,000)
Repayment of certificates of participation is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		125,000
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis.		(803,279)
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis.		331,522
In governmental funds, compensated absences and postemployment benefits are measured by the amounts paid during the period. In the government-wide statements, they are measured by the amounts earned.		122,296
In the governmental funds, interest is recorded when it is paid. In the government-wide statements, interest is recorded when it is incurred.		(216,640)
Adjustment for Rounding		<u>1</u>
Change in Net Position of Governmental Activities	\$	<u><u>9,696,411</u></u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash (Note 2)	
Cash on Hand and in Banks	\$ 194,733
TOTAL ASSETS	<u>\$ 194,733</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ -
Due to Student Groups	194,733
TOTAL LIABILITIES	<u>\$ 194,733</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Muroc Joint Unified School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into major, nonmajor, and fiduciary funds.

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund is used to account separately for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bond was issued.

County School Facilities Fund was established for the purpose of construction and/or modernization of school facilities as authorized by SB50 and Proposition 1A.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay and that compose a substantial portion of the fund's resources. The District maintains five nonmajor special revenue funds.

- Adult Fund is used to account for resources committed to adult education programs maintained by the District.
- Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
- Deferred Maintenance Fund is used for the purpose of major repair of District property. Due to the implementation of GASB 54, the Deferred Maintenance Fund has been consolidated with the General Fund for reporting purposes.
- Special Reserve Fund - Other than Capital Outlay is used to set aside funds to protect the District from unforeseen economic events. Due to the implementation of GASB 54, the Special Reserve Fund has been consolidated with the General Fund for reporting purposes.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

- Postemployment Benefits Fund is used to account for the proper accumulation and accounting of contributions and expenses related to postemployment benefits. Due to the implementation of GASB 54, the Postemployment Benefits Fund has been consolidated with the General Fund for reporting purposes.

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

- Capital Facilities Fund is used to account for resources received from developer fees.
- Special Reserve Fund – Capital Outlay Projects is used to account for District construction projects.

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

- Bond Interest and Redemption Fund is used to account for the accumulation of resources for the general obligation bond, interest and related costs.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for each school that operates an associated student body.

Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities.

Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the district must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions through June 30, 2018.

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

Accounting Estimates

The presentation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All outstanding encumbrances were liquidated at June 30.

Cash and Cash Equivalents

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

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Site Improvements	20-30
Building and Improvements	25-30
Furniture and Equipment	5-10
Vehicles	10

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Position in the Government-Wide Financial Statements

In the government-wide Statement of Net Position, the net position amount can be classified and displayed in three components:

- Net Investment in Capital Assets – This consists of capital assets net of accumulated depreciation and reduced by any long-term borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted – This consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance Reserves and Designations

In the governmental funds Balance Sheet, fund balance amounts are reported within the fund balance categories below:

- Nonspendable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District’s highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Deferred Outflows and Deferred Inflows of Resources

Included in the Statement of Net Position are separate sections for deferred outflows and deferred inflows of resources.

Deferred outflow of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflow of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows and deferred inflows of resources have been reported as a result of recording the net pension liabilities and pension expense.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Local Control Funding Formula/Property Tax

As a result of the 2013-14 state budget package, the District's state apportionments are based on a new Local Control Funding Formula (LCFF). The LCFF creates base, supplemental, and concentration grants (by grade span) in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Full implementation of LCFF is estimated to be in fiscal year 2018-19. Until then, the District will receive approximately the same level of funding as in 2012-13, plus an additional amount each year to bridge the gap between current year funding and the LCFF target levels.

The County is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1) and become delinquent if unpaid by August 31.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District’s allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District’s entitlement by the District’s local property tax revenue. The balance is paid from the state General Fund and is known as the State Apportionment.

New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) statements are effective for the FY 2017-18 financial statement audits:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

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). 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.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The Statement is effective for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 85, *Omnibus 2017*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

2. CASH AND DEPOSITS

Cash at June 30, 2018, consisted of the following:

	Governmental Funds	Agency Funds	Total
Pooled Funds:			
Cash in County Treasury	\$ 19,400,370	\$ -	\$ 19,400,370
Deposits:			
Cash on Hand and in Banks	6,242	194,733	200,975
Cash in Revolving Fund	10,500	-	10,500
Total	\$ 19,417,112	\$ 194,733	\$ 19,611,845

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the investment pool (\$3,380,522,966 as of June 30, 2018). The County pools these funds with those of other Districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The fair market value of this pool as of June 30, 2018, as provided by the pool sponsor, was \$3,342,578,762. The County is required by Government Code Section 53635 pursuant to section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

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 manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Kern County Investment Pool with a fair value of approximately \$19,182,613 and an amortized book value of \$19,400,370. The average weighted maturity for this pool is 547 days.

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

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. 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash balances held in banks funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

MURC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

	GENERAL FUND	BUILDING FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
<u>Accounts Receivable</u>					
Federal Sources:					
Categorical Aid Programs	\$ 313,884	\$ -	\$ 2,012,210	\$ -	\$ 2,326,094
Child Nutrition Program	-	-	-	9,556	9,556
Total Federal	313,884	-	2,012,210	9,556	2,335,650
State Sources:					
Child Nutrition Program	-	-	-	726	726
Local Control Funding Formula	2,016,338	-	-	-	2,016,338
Total State	2,016,338	-	-	726	2,017,064
Local Sources:					
Interest	13,462	56,694	4,888	1,319	76,363
Other	79,041	-	-	-	79,041
Total Local	92,503	56,694	4,888	1,319	155,404
Total Receivables	\$ 2,422,725	\$ 56,694	\$ 2,017,098	\$ 11,601	\$ 4,508,118

4. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2018, are as follows:

	DUE TO			
DUE FROM	GENERAL FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
General Fund	\$ -	\$ -	\$ 39,446	\$ 39,446
Building Fund	24,125	39,310	-	63,435
County School Facilities Fund	2,280,961	-	1,000,000	3,280,961
All Other Governmental Funds	102,027	-	-	102,027
Total	\$ 2,407,113	\$ 39,310	\$ 1,039,446	\$ 3,485,869

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2017-18 fiscal year were as follows:

TRANSFERS FROM	TRANSFERS TO
	ALL OTHER GOVERNMENTAL FUNDS
General Fund	\$ 110,396

5. FUND BALANCE

Ending fund balance in the governmental funds is composed of the following elements:

	GENERAL FUND	BUILDING FUND	COUNTY SCHOOL FACILITIES FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
Nonspendable:					
Revolving Fund	\$ 10,000	\$ -	\$ -	\$ 500	\$ 10,500
Inventory	-	-	-	3,430	3,430
Total Nonspendable	10,000	-	-	3,930	13,930
Restricted for:					
Legally Restricted Balances	779,756	12,049,180	-	88,957	12,917,893
Assigned for:					
Other Assignments	767,813	-	(133,044)	2,980,469	3,615,238
Unassigned for:					
Reserve for Economic Uncertainties	4,132,910	-	-	-	4,132,910
Total Fund Balances	\$ 5,690,479	\$ 12,049,180	\$ (133,044)	\$ 3,073,356	\$ 20,679,971

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2018, is shown below:

PRIMARY GOVERNMENT				
	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Land	\$ 60,014	\$ -	\$ -	\$ 60,014
Buildings and Improvements	16,170,960	-	-	16,170,960
Furniture and Equipment	5,434,004	48,404	-	5,482,408
Work in Progress	3,925,879	12,418,764	-	16,344,643
	Total at Historical Cost	12,467,168	-	38,058,025
Less Accumulated Depreciation for:				
Buildings and Improvements	11,217,023	441,121	-	11,658,144
Furniture and Equipment	3,888,918	254,648	-	4,143,566
	Total Accumulated Depreciation	695,769	-	15,801,710
Governmental Activities Capital Assets, Net	\$ 10,484,916	\$ 11,771,399	\$ -	\$ 22,256,315

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 302,685
Instructional Supervision and Administration	12,722
Instructional Library, Media and Technology	3,355
School Site Administration	30,713
Home-to-School Transportation	21,719
Food Services	12,518
All Other Pupil Services	22,514
Ancillary Services	4,382
Community Services	415
All Other General Administration	44,230
Centralized Data Processing	6
Plant Services	240,510
	695,769
Total Depreciation Expense	\$ 695,769

MURC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

7. LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
General Obligation Bond	\$ 6,000,000	\$ 10,000,000	\$ -	\$ 16,000,000	\$ 445,000
Certificates of Participation	1,916,000	-	125,000	1,791,000	129,000
Total OPEB Liability*	5,391,079	-	331,522	5,059,557	-
Net Pension Liability	16,839,812	1,818,262	-	18,658,074	-
Compensated Absences	77,754	44,234	-	121,988	-
Early Retirement Incentives	587,156	30,170	196,700	420,626	179,850
Total	\$ 30,811,801	\$ 11,892,666	\$ 653,222	\$ 42,051,245	\$ 753,850

* Restated

8. BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2018, is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2017	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2018
2016 Series A	3/2/2017	2047	2.0-5.0%	\$ 6,000,000	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000
2016 Series B	1/18/2018	2047	3.0-5.0%	\$ 10,000,000	-	10,000,000	-	10,000,000
Total					\$ 6,000,000	\$ 10,000,000	\$ -	\$ 16,000,000

The annual requirement to amortize the Election of 2016, Series A general obligation bonds payable, outstanding at June 30, 2018, is as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 445,000	\$ 238,288	\$ 683,288
2020	415,000	227,612	642,612
2021	-	221,388	221,388
2022	-	221,387	221,387
2023	-	221,388	221,388
2024-28	55,000	1,106,181	1,161,181
2029-33	525,000	1,063,459	1,588,459
2034-38	1,000,000	929,509	1,929,509
2039-43	1,610,000	677,825	2,287,825
2044-47	1,950,000	205,750	2,155,750
Total	\$ 6,000,000	\$ 5,112,787	\$ 11,112,787

MURC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

The annual requirement to amortize the Election of 2016, Series B general obligation bonds payable, outstanding at June 30, 2018, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 454,638	\$ 454,638
2020	-	454,637	454,637
2021	150,000	452,388	602,388
2022	-	450,137	450,137
2023	-	450,138	450,138
2024-28	360,000	2,222,938	2,582,938
2029-33	785,000	2,106,312	2,891,312
2034-38	1,510,000	1,931,706	3,441,706
2039-43	2,565,000	1,561,119	4,126,119
2044-47	4,630,000	694,575	5,324,575
Total	<u>\$ 10,000,000</u>	<u>\$ 10,778,588</u>	<u>\$ 20,778,588</u>

The total annual requirement to amortize the general obligation bonds payable, outstanding at June 30, 2018, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 445,000	\$ 692,926	\$ 1,137,926
2020	415,000	682,249	1,097,249
2021	150,000	673,776	823,776
2022	-	671,524	671,524
2023	-	671,526	671,526
2024-28	415,000	3,329,119	3,744,119
2029-33	1,310,000	3,169,771	4,479,771
2034-38	2,510,000	2,861,215	5,371,215
2039-43	4,175,000	2,238,944	6,413,944
2044-47	6,580,000	900,325	7,480,325
Total	<u>\$ 16,000,000</u>	<u>\$ 15,891,375</u>	<u>\$ 31,891,375</u>

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

9. CERTIFICATES OF PARTICIPATION

In November 2003, the District entered into a lease with the Delta Financing Corporation to finance school facility improvements. Delta Financing Corporation then issued \$2,910,000 in current interest Certificates of Participation. In May 2013, the outstanding Certificates of Participation in the amount of \$2,101,000 were refunded pursuant to financing agreement with Green Campus Partners, LLC. Rental payments will be made to Green Campus Partners, LLC as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 129,000	\$ 73,376	\$ 202,376
2020	139,000	67,681	206,681
2021	143,000	61,689	204,689
2022	151,000	55,441	206,441
2023	155,000	48,939	203,939
2024-28	877,000	137,976	1,014,976
2029	197,000	4,186	201,186
Total	<u>\$ 1,791,000</u>	<u>\$ 449,288</u>	<u>\$ 2,240,288</u>

10. OTHER POSTEMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan Description.

Plan administration. The District offers health and welfare benefits including medical, prescription drug, behavioral health, and dental benefits to employees and retirees. The medical plans are five Blue Cross Prudent Buyer PPO options, with prescription drug coverage carved out and provided through Navitus plans “3-5”, “5-20”, “9-35”, or “200/10-35”. Kaiser HMO is also offered. Behavioral health is bundled with medical coverage, and dental benefits are offered through Delta Dental Preferred Option and Preferred Option Incentive plans. These coverages are all self-insured on a pooled basis or otherwise provided through the Self-Insured Schools of California (SISC III).

Benefits Provided. Certificated unit members and management employees who have attained age 55 and are eligible to retire under STRS will be eligible to receive District-paid healthcare premiums for one month of benefits for each month of service to the District, but not beyond age 65. The District will pay amounts up to a cap which has remained at its current level of \$1,101.30 per month since 2008-09. District-paid dental benefits are not provided for members who retired prior to 2000-03 bargaining agreement. Management Team members who retired prior to June 30, 2011 may continue benefits beyond age 65 until the end of the month-for-month period described above. Retirees who were Management Team members as of June 30, 2011 and who continued in active service with the District after that date will have their month-for-month benefit period limited to the greater of (i) accrued management service as of June 20, 2011, or (ii) 10 years. Employees first hired as Management Team members on or after July 1, 2011 with at least 5 but less than 10 years of management service at retirement will receive benefits until age 65; those with 10 or more years of management service at retirement will receive benefits until age 70.

Classified unit members who have attained age 50 and 20 years of service, age 51 and 18 years of service, age 52 and 16 years of service, age 53 and 14 years of service, age 54 and 12 years of service, or age 55 and 10 years of service, may retire with District-paid medical, prescription drug, behavioral health, and dental benefits up to the District cap of \$1,101.30 per month until age 65, at which time District-paid benefits cease.

MURC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Employees Covered by Benefit Terms

At June 30, 2016, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	64
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	164
Total	228

Total OPEB Liability

The District total OPEB liability of \$5,059,557 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions and Other Inputs

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

Salary increases	3.00%	
Discount rate	3.62%	
Healthcare cost trend rate	6.00% for 2016; 5.00% for 2017 and later years	

Discount Rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20- Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%

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 or Females, as appropriate, without projection.

MURC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 5,391,079
Changes for the year:	
Service Cost	235,901
Interest	181,718
Benefit Payments	(749,141)
Net changes	(331,522)
Balance at June 30, 2018	\$ 5,059,557

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 1 percentage point lower or 1 percentage point higher than the current discount rate.

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Total OPEB liability (asset)	\$ 5,305,981	\$ 5,059,557	\$ 4,821,591

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 1 percentage point lower (5.00 percent decreasing to 4.00 percent) or 1 percentage point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB liability (asset)	\$ 4,872,765	\$ 5,059,557	\$ 5,268,964

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$417,619. At June 30, 2018, the District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

11. NET PENSION LIABILITY

General Information About the Pension Plans

Plan Descriptions

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS) and certificated employees are members of the California State Teachers' Retirement System (CalSTRS). Benefit provisions under the plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalPERS and CalSTRS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

Benefits Provided

CalPERS and CalSTRS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of service credit for each year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013, are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

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

	CalPERS		CalSTRS	
	Before <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>	Before <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire Date				
Benefit Formula	2% at 55	2% at 62	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (average)	7.000%	6.500%	10.250%	9.205%
Required employer contribution rates	15.531%	15.531%	14.430%	14.430%

*Amounts are limited to 120% of Social Security Wage Base.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Contributions - CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.88% of annual payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

Contributions - CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to make monthly contributions 9.205% of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Section 22950.5 states, "For fiscal year 2021-22 and each fiscal year thereafter, the board shall increase or decrease the percentages paid specified in this section from the percentage paid during the prior fiscal year to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the board based upon a recommendation from its actuary."

On-Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date), the State contributed 9.117017% of salaries creditable to CalSTRS. 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 excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

Contributions Recognized

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each plan were as follows:

	<u>CalPERS</u>	<u>CalSTRS</u>
Contributions - Employer	\$ 408,510	\$ 947,772
Contributions - Employee (paid by employer)	176,488	693,501
Contributions - State On-Behalf Payments	-	678,237
Total	<u>\$ 584,998</u>	<u>\$ 2,319,510</u>

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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

As of June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalPERS	\$ 5,507,418
CalSTRS	13,150,656
Total Net Pension Liability	\$ 18,658,074

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability as of June 30, 2017. The total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2018, the District recognized pension expense of \$3,082,232. 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	\$ 2,278,952	\$ -
Differences between actual and expected experience	245,940	229,369
Changes in assumptions	2,436,313	64,843
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	190,519	350,239
Total	\$ 5,151,724	\$ 644,451

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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\$2,278,952 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	
2019	\$ 618,136
2020	1,067,143
2021	749,162
2022	(206,120)
Total	\$ 2,228,321

Actuarial Assumptions

The total pension liabilities in the June 30, 2017, actuarial valuations were determined using the following actuarial assumptions:

	CalPERS	CalSTRS
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age - Normal	Entry Age - Normal
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.50%
Projected Salary Increase	Varies *	Varies *
Investment Rate of Return	7.50% #	7.10% #
Mortality	Varies &	Varies &

- * Depending on age, service and type of employment
- # Net of pension plan investment expenses, including inflation
- & Depending on age, gender and type of job

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for CalPERS and 7.10% for CalSTRS. To determine whether the District bond rate should be used in calculation of a discount rate for each plan, CalPERS and CalSTRS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan.

The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

According to Paragraph 30 of GASB Statement No. 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS and CalSTRS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS and CalSTRS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalPERS and CalSTRS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2018-19 fiscal year. CalPERS and CalSTRS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

In determining the long-term expected rate of return, CalPERS and CalSTRS 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 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>CalSTRS</u>	
	<u>Assumed Assets Allocation</u>	<u>Long Term Expected Rate of Return*</u>
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Inflation Sensitive	4.00%	3.80%
Private Equity	13.00%	9.30%
Real Estate	13.00%	5.20%
Liquidity	2.00%	-1.00%
Absolute Return/Risk Mitigating	9.00%	2.90%

* 20-year average

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Asset Class	CalPERS		
	Strategic Allocation	Real Return (Years 1-10) *	Real Return (Years 11+) #
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

* An expected inflation of 2.5% used for this period

An expected inflation of 3.0% used for this period

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each plan, calculated using the discount rate for each plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalPERS	CalSTRS
1% Decrease	6.15%	6.10%
Net Pension Liability	\$ 8,103,177	\$ 19,309,338
Current Discount Rate	7.15%	7.10%
Net Pension Liability	\$ 5,507,418	\$ 13,150,656
1% Increase	8.15%	8.10%
Net Pension Liability	\$ 3,354,019	\$ 8,152,468

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and CalSTRS financial reports.

12. COMPENSATED ABSENCES

The total accumulated unpaid employee compensated absences as of June 30, 2018, amounted to \$121,988 and is included in General Long-Term Debt.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

13. EARLY RETIREMENT INCENTIVES

The District has offered Golden Handshakes through CalPERS and CalSTRS. The amounts payable to CalPERS and CalSTRS are as follows:

Year Ending June 30	2013 PERS	2015 PERS	2016 PERS	2017 PERS	Total
2019	\$ 81,936	\$ 54,028	\$ 37,852	\$ 6,034	\$ 179,850
2020	40,968	54,028	37,852	6,034	138,882
2021	-	27,014	37,852	6,034	70,900
2022	-	-	18,926	6,034	24,960
2023	-	-	-	6,034	6,034
Total	<u>\$ 122,904</u>	<u>\$ 135,070</u>	<u>\$ 132,482</u>	<u>\$ 30,170</u>	<u>\$ 420,626</u>

14. COUNTY PROPERTY TAX CONTINGENT LIABILITIES

Muroc Joint Unified School District's share of the estimated property tax liability based on information gathered from the Office of the Auditor-Controller of the County of Kern through June 30, 2018, for litigation and other tax refund claims pending at that time are as follows:

Total Liabilities (as of June 30, 2018)	\$ 3,324,195
Less: Impounds (as of June 30, 2018)	<u>1,870,253</u>
Net Liability	<u>\$ 1,453,942</u>

It should be noted that these figures do not include any appeals or litigation filed or compiled after June 30, 2018, but they do include provisions for valuation and taxes in dispute through June 30, 2018.

15. JOINT POWERS AGREEMENTS

The Muroc Joint Unified School District participates in three joint ventures under joint powers agreement (JPAs): Self Insured Schools of California I (SISC I), Self-Insured Schools of California II (SISC II) and Self Insured Schools of California III (SISC III). The relationship between the Muroc Joint Unified School District and the JPAs is such that none of the JPAs is a component unit of Muroc Joint Unified School District for financial reporting purposes.

Self-Insured Schools of California I, II and III

- Purpose: Arranges for and provides workers compensation, property and liability, and health insurance coverage for their member districts.
- Participants: School districts in Central and Southern California.
- Governing Board: Each district provides one member for each governing board.

MURC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Available condensed financial information on the JPAs is as follows:

	SISC I <u>6/30/2017</u>	SISC II <u>6/30/2017</u>	SISC III <u>9/30/2017</u>
Total Assets	\$ 90,367,824	\$ 48,144,010	\$ 540,842,328
Total Liabilities	<u>30,064,619</u>	<u>33,774,894</u>	<u>173,862,442</u>
Net Position	<u>\$ 60,303,205</u>	<u>\$ 14,369,116</u>	<u>\$ 366,979,886</u>
Total Revenues	\$ 27,361,994	\$ 21,716,362	\$ 2,089,274,509
Total Expenditures	<u>25,665,257</u>	<u>28,886,143</u>	<u>1,984,882,354</u>
Net Increase (Decrease) in Net Position	<u>\$ 1,696,737</u>	<u>\$ (7,169,781)</u>	<u>\$ 104,392,155</u>

16. COMMITMENTS AND CONTINGENCIES

A. Federal and State Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review of audit discloses exceptions, the District may incur a liability to grantor agencies. Although such audits could generate expenditure disallowances under term of the grants, it is believed that any required reimbursements will not be material.

B. Pending Litigation

As of June 30, 2018, there are no claims of litigation involving the District.

C. Construction Commitments

The District is in contract and was completing early start projects for the Edwards AFB Branch and Bailey project, and was in contract and construction for the first phase of Boron High School Renovation.

17. ADJUSTMENT FOR RESTATEMENT

The beginning balance of Other Postemployment Benefits (OPEB) was restated by 4,958,212 due to the implementation of GASB Statement No 75.

Required Supplementary
Information

MUROC JOINT UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Control Funding Formula Sources:				
State Apportionments	\$ 9,314,407	\$ 9,241,968	\$ 9,393,614	\$ 151,646
Education Protection Account Funds	2,339,004	2,303,087	2,554,491	251,404
Local Sources	3,965,215	4,010,587	3,617,125	(393,462)
Total LCFF Sources	<u>15,618,626</u>	<u>15,555,642</u>	<u>15,565,230</u>	<u>9,588</u>
Federal Revenues	2,989,549	2,989,549	3,382,475	392,926
Other State Revenues	530,492	792,486	2,179,388	1,386,902
Other Local Revenues	899,683	899,683	1,019,095	119,412
Total Revenues	<u>20,038,350</u>	<u>20,237,360</u>	<u>22,146,188</u>	<u>1,908,828</u>
<u>EXPENDITURES</u>				
Certificated Salaries	8,212,179	8,472,239	8,798,207	(325,968)
Classified Salaries	3,332,446	3,453,343	3,711,425	(258,082)
Employee Benefits	5,779,951	5,677,886	5,855,221	(177,335)
Books and Supplies	712,221	707,697	1,046,227	(338,530)
Service and Other Operating Expenditures	2,743,531	2,700,795	2,528,730	172,065
Other Outgo	75,000	75,000	91,892	(16,892)
Capital Outlay	50,000	50,000	15,363	34,637
Debt Service:				
Principal	-	-	125,000	(125,000)
Interest	205,000	205,000	78,774	126,226
Total Expenditures	<u>21,110,328</u>	<u>21,341,960</u>	<u>22,250,839</u>	<u>(908,879)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,071,978)	(1,104,600)	(104,651)	999,949
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund Transfers Out	(107,392)	(111,743)	(110,396)	1,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (1,179,370)</u>	<u>\$ (1,216,343)</u>	(215,047)	<u>\$ 1,001,296</u>
<u>FUND BALANCE - JULY 1, 2017</u>			<u>5,450,139</u>	
<u>FUND BALANCE - JUNE 30, 2018</u>			<u>\$ 5,235,092</u>	

See accompanying Notes to the Required Supplementary Information.

MUROC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS*
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year 2018
Total OPEB Liability	
Service cost	\$ 235,901
Interest	181,718
Benefit payments	(749,141)
Net Change in OPEB Liability	(331,522)
Total OPEB Liability-Beginning	5,391,079
Total OPEB Liability-Ending	\$ 5,059,557
Covered - Employee Payroll	\$ 12,104,338
Total OPEB Liability as a Percentage of Covered-Employee Payroll	41.80%

* This schedule is required to show information for ten years; however, until a full ten-year trend is compiled information is presented for those years for which information is available.

See accompanying Notes to the Required Supplementary Information.

MUROC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS/CALSTRS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>CalPERS</u>				
	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
District's proportion of the net pension liability	0.02307%	0.02314%	0.02336%	0.02196%
District's proportionate share of the net pension liability	\$ 5,507,418	\$ 4,570,164	\$ 3,443,287	\$ 2,492,995
District's covered-employee payroll	\$ 2,941,460	\$ 2,776,348	\$ 2,586,654	\$ 2,305,288
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.23%	164.61%	133.12%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%
<u>CalSTRS</u>				
	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
District's proportion of the net pension liability	0.01422%	0.01517%	0.01706%	0.01204%
District's proportionate share of the net pension liability	\$ 13,150,656	\$ 12,269,648	\$ 11,485,474	\$ 7,035,815
State's proportionate share of the net pension liability associated with the District	4,888,099	4,451,428	3,973,170	2,648,984
Total	\$ 18,038,755	\$ 16,721,076	\$ 15,458,644	\$ 9,684,799
District's covered-employee payroll	\$ 7,533,959	\$ 7,536,300	\$ 7,884,291	\$ 5,335,927
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.55%	162.81%	145.68%	131.86%
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying Notes to the Required Supplementary Information.

**MUROC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALPERS/CALSTRS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CalPERS				
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required contribution	\$ 500,870	\$ 407,002	\$ 328,919	\$ 304,475
Contributions in relation to the contractually required contribution	500,870	407,002	328,919	304,475
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,224,969	\$ 2,930,602	\$ 2,776,348	\$ 2,586,654
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%
CalSTRS				
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required contribution	\$ 1,145,623	\$ 962,527	\$ 808,645	\$ 700,125
Contributions in relation to the contractually required contribution	1,145,623	962,527	808,645	700,125
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,939,175	\$ 7,651,248	\$ 7,536,300	\$ 7,884,291
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying Notes to the Required Supplementary Information.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2018, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund	
Certificated Salaries	\$ 325,968
Classified Salaries	258,082
Employee Benefits	177,335
Books and Supplies	338,530
Other Outgo	16,892
Debt Service - Principal	125,000

2. PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedules

These schedules are required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

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

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

C. Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportion share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D. Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

3. SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

There were no changes of assumptions.

Supplementary Information

MURC JOINT UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	ADULT FUND	CAFETERIA FUND	TOTAL
<u>ASSETS</u>			
Cash:			
Cash in County Treasury	\$ 226,128	\$ 41,565	\$ 267,693
Cash on Hand and in Banks	-	6,242	6,242
Cash in Revolving Fund	-	500	500
Accounts Receivable	1,134	10,381	11,515
Due from Other Funds	-	39,446	39,446
Inventory	-	3,430	3,430
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 227,262</u>	<u>\$ 101,564</u>	<u>\$ 328,826</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 5,592	\$ 9,110	\$ 14,702
Due to Other Funds	30,027	72,000	102,027
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>35,619</u>	<u>81,110</u>	<u>116,729</u>
Fund Balances:			
Nonspendable	-	3,930	3,930
Restricted	88,957	-	88,957
Assigned	102,686	16,524	119,210
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>191,643</u>	<u>20,454</u>	<u>212,097</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 227,262</u>	<u>\$ 101,564</u>	<u>\$ 328,826</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ADULT FUND	CAFETERIA FUND	TOTAL
<u>REVENUES</u>			
Federal Revenues	\$ -	\$ 287,521	\$ 287,521
Other State Revenues	253,867	22,650	276,517
Other Local Revenues	2,718	107,900	110,618
Total Revenues	<u>256,585</u>	<u>418,071</u>	<u>674,656</u>
<u>EXPENDITURES</u>			
Instruction	141,657	-	141,657
Pupil Services:			
Food Services	-	508,581	508,581
All Other Pupil Services	9,558	-	9,558
Total Expenditures	<u>151,215</u>	<u>508,581</u>	<u>659,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	105,370	(90,510)	14,860
<u>OTHER FINANCING SOURCES (USES)</u>			
Interfund Transfers In	-	110,396	110,396
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	105,370	19,886	125,256
<u>FUND BALANCES - JULY 1, 2017</u>	<u>86,273</u>	<u>568</u>	<u>86,841</u>
<u>FUND BALANCES - JUNE 30, 2018</u>	<u>\$ 191,643</u>	<u>\$ 20,454</u>	<u>\$ 212,097</u>

The Notes to Financial Statements are an integral part of this statement.

MURC JOINT UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	<u>CAPITAL FACILITIES FUND</u>	<u>SPECIAL RESERVE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash:			
Cash in County Treasury	\$ 20,308	\$ -	\$ 20,308
Accounts Receivable	85	1	86
Due from Other Funds	-	1,000,000	1,000,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 20,393</u>	<u>\$ 1,000,001</u>	<u>\$ 1,020,394</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Assigned	20,393	1,000,001	1,020,394
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,393</u>	<u>\$ 1,000,001</u>	<u>\$ 1,020,394</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	CAPITAL FACILITIES FUND	SPECIAL RESERVE FUND	TOTAL
<u>REVENUES</u>			
Other Local Revenues	\$ 297	\$ 1	\$ 298
<u>EXPENDITURES</u>			
Plant Services	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	297	1	298
<u>FUND BALANCES - JULY 1, 2017</u>	<u>20,096</u>	<u>1,000,000</u>	<u>1,020,096</u>
<u>FUND BALANCES - JUNE 30, 2018</u>	<u>\$ 20,393</u>	<u>\$ 1,000,001</u>	<u>\$ 1,020,394</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
 JUNE 30, 2018

	BOND INTEREST AND REDEMPTION FUND
<u>ASSETS</u>	
Cash:	
Cash in County Treasury	\$ 1,840,865
TOTAL ASSETS	<u>\$ 1,840,865</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ -
Fund Balance:	
Assigned	1,840,865
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,840,865</u>

The Notes to Financial Statements are an integral part of this statement.

MURC JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BOND INTEREST AND REDEMPTION FUND
<u>REVENUES</u>	
Other State Revenues	\$ 2,461
Other Local Revenues	678,324
	680,785
Total Revenues	680,785
<u>EXPENDITURES</u>	
Debt Service	209,774
	209,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	471,011
<u>OTHER FINANCING SOURCES (USES)</u>	
Other Sources	1,122,492
	1,122,492
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,593,503
<u>FUND BALANCE - JULY 1, 2017</u>	247,362
<u>FUND BALANCE - JUNE 30, 2018</u>	\$ 1,840,865

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - STUDENT BODY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BALANCE JULY 1, 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2018
<u>Boron Jr./Sr. High</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 62,199	\$ 81,098	\$ 77,135	\$ 66,162
TOTAL ASSETS	<u>\$ 62,199</u>	<u>\$ 81,098</u>	<u>\$ 77,135</u>	<u>\$ 66,162</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
General ASB Accounts	62,199	81,098	77,135	66,162
TOTAL LIABILITIES	<u>\$ 62,199</u>	<u>\$ 81,098</u>	<u>\$ 77,135</u>	<u>\$ 66,162</u>
<u>Desert Jr./Sr. High</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 105,627	\$ 125,477	\$ 128,496	\$ 102,608
TOTAL ASSETS	<u>\$ 105,627</u>	<u>\$ 125,477</u>	<u>\$ 128,496</u>	<u>\$ 102,608</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
General ASB Accounts	105,627	125,477	128,496	102,608
TOTAL LIABILITIES	<u>\$ 105,627</u>	<u>\$ 125,477</u>	<u>\$ 128,496</u>	<u>\$ 102,608</u>
<u>Branch Elementary School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 20,202	\$ 33,643	\$ 27,882	\$ 25,963
TOTAL ASSETS	<u>\$ 20,202</u>	<u>\$ 33,643</u>	<u>\$ 27,882</u>	<u>\$ 25,963</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
General ASB Accounts	20,202	33,643	27,882	25,963
TOTAL LIABILITIES	<u>\$ 20,202</u>	<u>\$ 33,643</u>	<u>\$ 27,882</u>	<u>\$ 25,963</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - STUDENT BODY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
<u>Total</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 188,028	\$ 240,218	\$ 233,513	\$ 194,733
TOTAL ASSETS	<u>\$ 188,028</u>	<u>\$ 240,218</u>	<u>\$ 233,513</u>	<u>\$ 194,733</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Student Groups				
General ASB Accounts	188,028	240,218	233,513	194,733
TOTAL LIABILITIES	<u>\$ 188,028</u>	<u>\$ 240,218</u>	<u>\$ 233,513</u>	<u>\$ 194,733</u>

The Notes to Financial Statements are an integral part of this statement.

MUROC JOINT UNIFIED SCHOOL DISTRICT
BOARD OF TRUSTEES AND ORGANIZATION
JUNE 30, 2018

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Sherman Burkhead Jr.	President	December 2018
Melinda Marchlewicz	Clerk	December 2018
Matt Carter	Member	December 2020
Tatiana Matta	Member	December 2018
Deandra Gelardo	Member	December 2018

ADMINISTRATION

Kevin D. Cordes	Superintendent
Brent Tan	Assistant Superintendent
Trevor Walker	Chief Business Officer

ORGANIZATION

Muroc Joint Unified School District, located in the Mojave Desert approximately 110 miles northeast of Los Angeles, is a kindergarten through twelfth grade unified school system serving approximately 1,900 students. Muroc Joint Unified School District serves the communities of Boron, North Edwards, and Edwards Air Force Base, and operated four school sites: two comprehensive junior-senior high schools, and two K-6 elementary schools. Muroc Joint Unified School District is governed by a five-member Board of Trustees whose members are elected to four-year terms.

MUROC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Second Period Report <u>B08B7A19</u>	Annual Report <u>EB1ECFB5</u>
<u>TK/K-3</u>		
Regular	595.15	592.98
Extended Year Special Education	0.12	0.12
Subtotal Grades TK/K-3	<u>595.27</u>	<u>593.10</u>
<u>Grades 4-6</u>		
Regular	398.15	395.36
Extended Year Special Education	0.10	0.10
Subtotal Grades 4-6	<u>398.25</u>	<u>395.46</u>
<u>Grades 7-8</u>		
Regular	<u>272.90</u>	<u>271.54</u>
<u>Grades 9-12</u>		
Regular	<u>441.28</u>	<u>435.04</u>
Grand Total	<u><u>1,707.70</u></u>	<u><u>1,695.14</u></u>

See accompanying Notes to Supplementary Information.

MURC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

GRADE LEVEL	1986-87 MINUTES REQUIREMENT	2017-18 ACTUAL MINUTES	NUMBER OF DAYS TRADITIONAL CALENDAR	NUMBER OF DAYS MULTITRACK CALENDAR	STATUS
Kindergarten	36,000	61,425	180	N/A	In Compliance
Grades 1-3	50,400	54,360	180	N/A	In Compliance
Grades 4-6	54,000	54,360	180	N/A	In Compliance
Grades 7-8	54,000	65,760	180	N/A	In Compliance
Grades 9-12	64,800	65,760	180	N/A	In Compliance

Note: The District participated in Longer Day incentives and did not meet or exceed its target funding.

See accompanying Notes to Supplementary Information.

MURC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

GENERAL FUND	(BUDGET) 2019*	2018	2017***	2016
Revenues and Other Financial Sources	\$ 20,481,030	\$ 22,146,188	\$ 21,270,252	\$ 21,877,280
Expenditures	21,171,113	22,250,839	21,733,924	20,692,323
Other Uses and Transfers Out	115,473	110,396	53,550	1,151,300
Total Outgo	21,286,586	22,361,235	21,787,474	21,843,623
Change in Fund Balance	(805,556)	(215,047)	(517,222)	33,657
Ending Fund Balance	\$ 3,792,518	\$ 5,235,092	\$ 5,450,139	\$ 5,967,361
Available Reserves	\$ 2,224,688	\$ 3,682,837	\$ 649,060	\$ 4,386,483
Reserve for Economic Uncertainties	\$ 2,224,688	\$ 3,682,837	\$ 649,060	\$ 4,386,483
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	10.46%	16.47%	3.00%	20.10%
Total Long-Term Debt***	**	\$ 42,051,245	\$ 30,811,801	\$ 18,120,714
Average Daily Attendance at P-2	1,708	1,708	1,783	1,820

The General Fund balance has decreased by \$732,269 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$805,556. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out. Muroc Joint Unified School District has met the State's minimum requirements.

Average daily attendance has decreased by 112 ADA over the past two years. No change in ADA is anticipated during fiscal year 2018-19.

* Based on July 1 budget for General Fund only, included for analytical purposes only and has not been subjected to audit.

** Not determined.

*** Restated.

See accompanying Notes to Supplementary Information.

MURC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CLUSTER EXPENDITURES	FEDERAL EXPENDITURES
<u>GENERAL FUND</u>				
U.S. Department of Defense:				
Direct:				
ROTC	12.357	none		\$ 199,473
U.S. Department of Education:				
Passed through the California Department of Education (CDE):				
Special Education Cluster:				
Local Assistance	84.027	13379	\$ 280,543	
Preschool Local Entitlement	84.027A	13682	27,230	
Preschool Grant	84.173	13430	<u>6,621</u>	
Total Special Education Cluster				314,394
Title I	84.010	14329		420,192
Title II, Part A, Supporting Effective Instruction	84.367	14341		26,587
Title VI, Part B, REAP	84.358B	14356		46,835
Carl D. Perkins and Technical Education, Secondary	84.048	14894		<u>11,150</u>
Total General Fund				1,018,631
<u>CAFETERIA FUND</u>				
U.S. Department of Agriculture:				
Passed through CDE:				
Child Nutrition Cluster:				
National School Lunch	10.555	13391, 13396	220,170	
Basic Breakfast	10.553	13390, 13525	2,560	
Especially Needy Breakfast	10.553	13526	<u>64,791</u>	
Total Cafeteria Fund				287,521
<u>COUNTY SCHOOL FACILITIES FUND</u>				
U.S. Department of Defense:				
Direct:				
* Community Investment	12.600	none		<u>8,851,781</u>
Total Federal Expenditures				<u>\$ 10,157,933</u>
<u>Reconciliation of Federal Awards</u>				
Total Federal Expenditures				\$ 10,157,933
Impact Aid	84.041	none		<u>2,363,844</u>
Total Federal Revenues				<u>\$ 12,521,777</u>
* Major Program				

See accompanying Notes to Supplementary Information.

MUROC JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
FORM WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Deferred Maintenance Fund	Special Reserve Fund (Other)	Special Reserve Fund (Post. Benefits)	Cafeteria Fund	Building Fund	County School Facilities Fund
June 30, 2018, Annual Financial and Budget Report Form Fund Balances	\$ 4,598,073	\$ 1,178	\$ 450,073	\$ 4,136	\$ 500	\$ 12,088,490	\$ 1,036,531
<u>Adjustments and Reclassifications</u>							
Increase Cash Collections Awaiting Deposit for:							
Food Sales	-	-	-	-	6,242	-	-
Increase (Decrease) Accounts Receivable for:							
LCFF	637,019	-	-	-	-	-	-
Child Nutrition Program	-	-	-	-	10,282	-	-
Community Investment Program	-	-	-	-	-	-	(1,208,885)
Increase Due From Other Funds for:							
Expenditure Transfer	-	-	-	-	-	-	39,310
Increase Inventory for:							
Food and Supplies	-	-	-	-	3,430	-	-
(Increase) Due To Other Funds for:							
Expenditure Transfer	-	-	-	-	-	(39,310)	-
Increase (Decrease) Fund Balance for:							
GASB 54 Reporting Requirement	455,387	(1,178)	(450,073)	(4,136)	-	-	-
Net Adjustments and Reclassifications	1,092,406	(1,178)	(450,073)	(4,136)	19,954	(39,310)	(1,169,575)
June 30, 2018, Audited Financial Statements Fund Balances	\$ 5,690,479	\$ -	\$ -	\$ -	\$ 20,454	\$ 12,049,180	\$ (133,044)

See accompanying Notes to Supplementary Information.

MUROC JOINT UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

Districts, including basic aid districts, must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

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

C. 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.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Muroc Joint Unified School 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 Uniform Guidance requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with the Uniform Guidance. The District did not elect to use the 10 percent de minimis cost rate.

E. Reconciliation of Annual Financial and Budget Report Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt as reported on the Annual Form to the audited financial statements.



Jeanette L. Garcia,
CPA

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

Independent Auditor's Report

To the Board of Trustees
Muroc Joint Unified School District
North Edwards, 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 Muroc Joint Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Muroc Joint Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muroc Joint 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 Muroc Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Muroc Joint 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and questioned costs as Finding 2018-001 that we consider to be significant deficiencies.

We noted certain matters that we reported to management of Muroc Joint Unified School District in a separate letter dated December 14, 2018.

Member:

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Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

Compliance and Other Matters

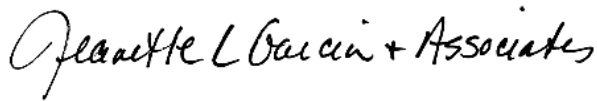
As part of obtaining reasonable assurance about whether Muroc Joint Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 is required to be reported under *Government Auditing Standards*.

Muroc Joint Unified School District's Response to Findings

Muroc Joint Unified School District's response to the findings identified in our audit are described in the accompanying schedule of audit findings and questioned costs. Muroc Joint Unified School District's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



San Bernardino, California
December 14, 2018



Jeanette L. Garcia,
CPA

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Trustees
Muroc Joint Unified School District
North Edwards, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with 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 Muroc Joint 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 Muroc Joint 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 Muroc Joint Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Muroc Joint 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.

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California
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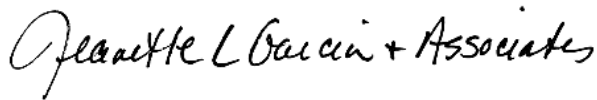
Report on Internal Control Over Compliance

Management of Muroc Joint 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 Muroc Joint 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 Muroc Joint 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness 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.



San Bernardino, California
December 14, 2018



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Jeanette L. Garcia,
CPA

To the Board of Trustees
Muroc Joint Unified School District
North Edwards, California

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with state statutes, 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 for each applicable program as identified in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

	<u>Procedures Performed</u>
Member:	
American Institute of Certified Public Accountants	
California Society of Certified Public Accountants	
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable

	<u>Procedures Performed</u>
Instructional Time	Yes
Instructional Materials	Yes
Ratio 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	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Information	Not Applicable
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	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not test the Early Retirement Incentive Program because the District did not participate in the program.

Opinion on State Compliance

In our opinion, Muroc Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Jeanette L. Garcia + Associates

San Bernardino, California
December 14, 2018

Findings and Recommendations

MURC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiencies identified?	_____	✓	Yes	_____	None Reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiencies identified?	_____	Yes	_____	✓	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2, CFR Part 200? _____ Yes ✓ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.600	Community Investment

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ ✓ Yes _____ No

State Awards

Internal control over state programs:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiencies identified?	_____	Yes	_____	✓	None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

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

MUROC JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

FINDING 2018-001
Cash Receipts
Code 30000

There appears to be a lack of segregation of duties for cash receipts. One person prepares the bank deposit, posts the deposit to the general ledger, prepares the EROD and reconciles the bank statement. No one appears to review the bank reconciliation. In addition, we noted several account code errors that may have been detected and corrected if someone else reviewed the work.

RECOMMENDATIONS

We recommend that some of these duties should be assigned to another staff person and that someone other than the cashier review the bank statements and prepare the reconciliations.

DISTRICTS RESPONSE

The District will work with the auditors to try to segregate duties more effectively as permitted by job contracts and/or add a review process to reduce risk of error or fraud.

Section III – Federal Award Findings and Questioned Costs

None Reported.

Section IV – State Award Findings and Questioned Costs

None Reported.

MUROC JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prior Year Findings and Recommendations:

FINDING 2017-001
Code 30000
Cash Clearing

We noted the following weaknesses in internal control over cash collections and the cash clearing account:

- A. Pre-numbered receipts are not always written when money is received.
- B. The balance in the clearing account does not entirely clear out to the County. As of June 30, 2017, there was an unidentified balance of approximately \$25,000 that was not cleared out to the County.
- C. There are outstanding checks and deposits on the bank reconciliation for the clearing account that date back to February 2016.

RECOMMENDATIONS

- A. To ensure proper controls over cash, a record should be kept every time cash changes hands. The District records these transactions by writing a pre-numbered receipt. Pre-numbered receipts should be written for all monies collected and these receipts should reconcile to the bank deposits.
- B. All monies deposited in the clearing account must be transferred to the County Treasury. The District needs to develop a tracking system to ensure that all deposits are subsequently sent to the County Treasury.
- C. To strengthen internal controls over cash, all monies deposited into the clearing account should be transferred to the County Treasury in a timely manner. There should never be old outstanding items in the bank reconciliation. The District should review these outstanding items and make adjustments as necessary.

Status: Implemented.

FINDING 2017-002
Code 30000
Credit Cards

We noted that a District employee was using the District's CalCard for personal use and reimbursing the District later with a personal check. Several of these reimbursement checks were noted in our testing. One of the reimbursement checks was returned by the bank for insufficient funds. As of the date of the audit, this employee still owed the District over \$300 for the personal use of the credit card.

RECOMMENDATION

Personal use of District credit cards should not be allowed. The Business Office has drafted some credit card guidelines that should be incorporated into an official board policy. The District should also make every effort to collect the remaining reimbursement from the employee.

Status: Implemented.

MUROC JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINDING 2017-003
Code 30000
Boron Jr/Sr High ASB

We noted the following weaknesses in internal control at Boron Jr/Sr High ASB:

- A. During our testing of cash collections, we noted that not all receipts are not written on the log.
- B. Bank deposits are not made in a timely manner. We noted delays of up to seventeen days between the date of the receipt and the date of the deposit.
- C. During our testing of disbursements, we noted the following:
 - 1. Pre-numbered purchase orders are rarely used to approve expenditures. The approval is normally within the ASB minutes. However, we noted four expenditures that were not approved prior to the purchase.
 - 2. We noted five expenditures that did not have receiving documents for merchandise delivered/shipped.
- D. Revenue potentials are not prepared.
- E. There are three stale dated checks on the bank reconciliation that date back to March 2015.

RECOMMENDATIONS

- A. To ensure proper controls over cash, monies should be written in the log immediately following the receipt of the funds. Also, the bookkeeper should compare the log to the bank deposit to ensure that all cash collections are deposited in the bank intact.
- B. Deposits should be made timely, at least weekly. Money should not remain on campus over weekends or holidays.
- C. To strengthen internal controls over disbursements, each purchase should be supported by a properly approved purchase order signed prior to the purchase to prevent unauthorized purchases. All expenditures should also be supported by adequate documentation including an original invoice and receiving documentation. In addition, all expenditures should be approved in detailed minutes by the advisor and the student council prior to being made to ensure that the expenditure is appropriate and that funds are available.
- D. Revenue potentials should be prepared for all fundraisers documenting the number of items sold, sale price, potential revenue (number of items sold x price), actual amount collected, and cash overage/shortage. The potential revenue should be compared to the actual cash collected and any differences should be investigated and noted.
- E. Stale dated checks over one year should be voided and added back to the cash balance.

Status: Partially Implemented. See Management Letter.

MUROC JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINDING 2017-004

Code 50000

Time and Effort Reporting

U.S. Department of Education passed through California Department of
Education 84.010 Title I and 84.027 Special Education: Basic Local Assistance

Specific Requirement: Local Education Agencies shall follow Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for time and effort reporting. Title 2 U.S. *Code of Federal Regulations* Part 200.430 (i) *Standards for Documentation of Personnel Expenses* requires that all charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

Condition: The District is not maintaining adequate records that accurately reflect the work performed for the charges to Title I and Special Education: Basic Local Assistance to be in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Questioned Costs: Annual payroll and benefits for Title I totaled \$366 and Special Education: Basic Local Assistance totaled \$145,009.39.

Context: During our test of internal controls over payroll, we selected seven employees charged to Title I and one employee charged to Special Education: Basic Local Assistance. The District was unable to provide time reporting records to support the salaries and benefits charged to the Federal programs. We discussed the lack of documentation with District personnel and discovered that no time reporting records had been prepared for the 2016-17 fiscal year.

Effect: The District is out of compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Cause: Unknown.

Recommendation: The District should maintain the monthly and semi-annual certifications from Federally funded employees separate from payroll. Additionally, once a month, the certifications should be compared to payroll and adjusted accordingly.

Status: Implemented.



Jeanette L. Garcia,
CPA

To the Board of Trustees
Muroc Joint Unified School District
North Edwards, California

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muroc Joint Unified School District, for the year ended June 30, 2018, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent non-material conditions noted by the audit that we consider important enough to bring to your attention. We previously reported on the District's internal control over financial reporting in our report dated December 14, 2018. The Findings and Recommendations Section of the audit report dated December 14, 2018, contains certain reportable conditions in the District's internal control over financial reporting. This letter does not affect our report dated December 14, 2018, on the financial statements of Muroc Joint Unified School District.

Cafeteria Fund

During our Spring audit at the end of March 2018, the most recent bank reconciliation for the cafeteria account was for December 2017. Bank reconciliations should be prepared in a more timely manner.

Desert Junior/Senior High School ASB

We noted the following:

- A. It was noted that there are 10 stale dated checks dating back to December 2015 on the June 2018 bank reconciliation. All stale dated checks should be written off after one year.
- B. Ticket inventory logs are not used to monitor the use of pre-numbered tickets. To strengthen internal controls over tickets, ticket inventory logs should be used to account for each roll of tickets used. The ticket inventory logs should compare to the event summaries.
- C. It was noted that revenue potentials for the yearbooks and other fundraising activities were not prepared. To strengthen internal controls over fundraising activities, such as yearbook sales, revenue potentials should be prepared. Revenue potentials should include the calculation determining the potential revenue that should be earned after the fundraiser is complete. The potential revenue should be compared to the actual cash collected per receipts and any differences should be noted and investigated.

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

Boron Junior/Senior High School ASB

We noted the following:

- A. It appears that receipts were written out of sequence. Writing receipts out of sequence negates the internal control provided by pre-numbered receipts. Receipts should be issued in sequential order to verify that all collections were recorded and deposited intact and timely.
- B. It was noted that 2 out of the 12 expenditures tested were for purchases made prior to approval date. To strengthen internal controls over cash disbursements, all expenditures should be approved by the advisors and the student council prior to being made, to ensure that the expenditure is appropriate and that funds are available.
- C. It was noted that the revenue potential for the sales of yearbooks was not prepared. To strengthen internal controls over fundraising activities, revenue potentials should be prepared for every fundraiser. Revenue potentials should include the number of items sold, sale price, potential revenue (number of items sold X price), and the amount actually collected. The potential revenue should be compared to the actual cash received per receipts and any differences should be investigated and noted.

We will review the status of these recommendations during our next audit engagement. We have discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Jeanette L Garcia + Associates

San Bernardino, California
December 14, 2018