

**MERCED UNION HIGH SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2017**

# MERCED UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2017

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***FINANCIAL SECTION***

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Merced Union High School District  
Merced, 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 Merced Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***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 Merced Union High School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 67, schedule of other postemployment benefits funding progress on page 68, schedule of the district's proportionate share of net pension liability on page 69, and the schedule of district contributions on page 70, 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 Merced Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

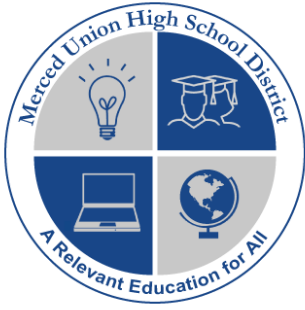
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the Merced Union High 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 Merced Union High 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 Merced Union High School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co., LLP

Fresno, California  
December 12, 2017



## Merced Union High School District

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### Superintendent

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Merced Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### The Financial Statements

The financial statements presented herein include all of the activities of the Merced Union High School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Merced Union High School District.



# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of grade nine through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### 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 law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental Funds** - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### THE DISTRICT AS TRUSTEE

#### Reporting the Merced Union High School District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and deferred compensation. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position* and the *Statement of Changes in Fund 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 District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### THE DISTRICT AS A WHOLE

#### Net Position

The District's total net position was \$29.0 million for the fiscal year ended June 30, 2017, and \$29.0 million for the fiscal year ended June 30, 2016. Restricted net position, which totaled \$20.7 million, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

**MERCED UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Table 1

(Amounts in millions)

	School District Activities		
	2017	2016	Variance
<b>Assets</b>			
Current and other assets	\$ 60.9	\$ 67.2	\$ (6.3)
Capital assets	210.5	195.2	15.3
<b>Total Assets</b>	<u>271.4</u>	<u>262.4</u>	<u>9.0</u>
<b>Deferred Outflows of Resources</b>	<u>22.6</u>	<u>18.5</u>	<u>24.3</u>
<b>Liabilities</b>			
Current liabilities	12.4	8.0	4.4
Long-term obligations	141.7	139.7	2.0
Aggregate net pension liability	107.3	87.1	20.2
<b>Total Liabilities</b>	<u>261.4</u>	<u>234.8</u>	<u>6.4</u>
<b>Deferred Inflows of Resources</b>	<u>3.6</u>	<u>17.1</u>	<u>(13.5)</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	73.9	77.6	(3.7)
Restricted	20.7	16.1	4.6
Unrestricted	(65.6)	(64.7)	(0.9)
<b>Total Net Position</b>	<u><u>\$ 29.0</u></u>	<u><u>\$ 29.0</u></u>	<u><u>\$ -</u></u>

The \$29.0 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$0.9 million.

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

**MERCED UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

Table 2

(Amounts in millions)

	School District Activities		
	2017	2016	Variance
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.8	\$ 0.8	\$ -
Operating grants and contributions	24.3	18.5	5.8
General revenues:			
Federal and state aid not restricted	94.2	93.1	1.1
Property taxes	24.9	23.7	1.2
Other general revenues	6.5	4.4	2.1
<b>Total Revenues</b>	<u>150.7</u>	<u>140.5</u>	<u>10.2</u>
<b>Expenses</b>			
Instruction related	95.3	87.2	8.1
Student support services	21.8	19.4	2.4
Administration	6.8	6.3	0.5
Plant services	14.9	13.2	1.7
Other	11.9	12.4	(0.5)
<b>Total Expenses</b>	<u>150.7</u>	<u>138.5</u>	<u>12.2</u>
<b>Change in Net Position</b>	<u>\$ -</u>	<u>\$ 2.0</u>	<u>\$ (2.0)</u>

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$150.7 million as compared to \$138.5 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$24.9 million because the cost was paid by those who benefited from the programs (\$0.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$24.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$100.7 million in Federal and State funds and other revenues, like interest, general entitlements, and charges for services.

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction related, student support services, administration, plant services, and other miscellaneous functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

Table 3

(Dollar amounts in millions)	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction related	\$ 95.3	\$ 87.2	\$ 77.4	\$ 74.6
Student support services	21.8	19.4	15.7	13.8
Administration	6.8	6.3	6.3	5.7
Plant services	14.9	13.2	14.7	13.0
Other	11.9	12.4	11.5	12.1
<b>Total</b>	<b>\$ 150.7</b>	<b>\$ 138.5</b>	<b>\$ 125.6</b>	<b>\$ 119.2</b>

The District's net cost of activities for the current year was \$125.6 million as compared to \$119.2 million in the prior year. A majority of the District's expenses were related to the education and support of its students (77.7 percent).

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of \$48.3 million, while the prior year reported a balance of \$58.9 million, which is a decrease of \$10.6 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances	
	June 30, 2017	June 30, 2016
Major Governmental Funds		
General Fund	\$ 25.2	\$ 24.7
Building Fund	-	17.3
Bond Interest and Redemption Fund	14.9	11.8
Non-Major Governmental Funds	8.2	5.1
<b>Total</b>	<b>\$ 48.3</b>	<b>\$ 58.9</b>

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from \$24.7 million to \$25.2 million. Although expenditures in the General Fund increased substantially over the prior year, an increase in State funding was the primary reason for the increase in the fund.
- b. The Building Fund decreased by \$17.3 million due to the costs of capital outlay.
- c. The Bond Interest and Redemption Fund increased by \$3.1 million as property taxes for debt service exceeded debt service payments.
- d. Most of the District's Non-Major Funds showed little change from the prior year, however, the Special Reserve Capital Outlay Fund increased by \$2.7 million due to an interfund transfer from the General Fund for future capital outlay costs.

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 21, 2017. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had \$210.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2016, the net capital assets totaled \$195.2 million. This amount represents a net increase (including additions, deductions and depreciation) of approximately \$15.3 million.

Table 5

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Land	\$ 13.3	\$ 13.3	\$ -
Construction in progress	34.6	13.0	21.6
Buildings and improvements	155.3	161.6	(6.3)
Equipment	7.3	7.3	-
<b>Total</b>	<b>\$ 210.5</b>	<b>\$ 195.2</b>	<b>\$ 15.3</b>

This year's major additions included completion of a new high school and ongoing construction of two gyms. See Notes to Financial Statements for additional information on capital assets.

#### Long-Term Obligations

At the end of this year, the District had \$141.7 million in long-term obligations outstanding versus \$139.7 million last year, an increase of \$2.0 million. The increase is primarily due to the annual interest that has accreted (accrued) on the District's outstanding Capital Appreciation bond.

Table 6

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
General obligation bonds	\$ 136.6	\$ 134.9	\$ 1.7
Compensated absences/comp time	0.5	0.4	0.1
Postemployment benefits	3.6	2.9	0.7
Public agency retirement system	1.0	1.5	(0.5)
<b>Total</b>	<b>\$ 141.7</b>	<b>\$ 139.7</b>	<b>\$ 2.0</b>

# MERCED UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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The District's general obligation Moody's bond rating as of the most recent bond issuance was "Aa3". We present more detailed information regarding our long-term obligations in the Notes to the Financial Statements.

### **Net Pension Liability (NPL)**

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of \$22.6 million, Deferred Inflows from pension activities of \$3.6 million, and a Net Pension Liability of \$107.3 million. We present more detailed information regarding our net pension liability in the Notes to the Financial Statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

#### 2017-2018 General Fund Revenue Budget Assumptions

- 1.56 percent Local Control Funding Formula (LCFF) cost of living adjustment (COLA)
- Zero percent COLA for special education and state categorical funding
- LCFF GAP funding is 43.97 percent
- Projected funded 2016-2017 average daily attendance (ADA) is 9,808
- Projected lottery revenue is \$144 per ADA for unrestricted lottery and \$45 per ADA for restricted instructional materials

#### 2017-2018 General Fund Expenditure Budget Assumptions

- 1.5 percent step and column increase
- Transfer Out of \$2 million to Fund 43, Special Reserve for Capital Outlay for facility projects; \$1 million to Fund 17, Special Reserve for Other than Capital Outlay for future technological improvements; \$1 million to increase Fund 20, Special Reserve Fund for Postemployment Benefits; \$489,519 to Fund 12 Child Development; a temporary cash loan of \$285,000 to Fund 13, Cafeteria and \$288,480 to Fund 13, for increased food services per LCAP plan; and \$750,000 to Fund 14 for deferred maintenance
- Health Insurance cap of \$10,801.50 for classified and certificated and management \$10,161

Based upon the 2017-2018 budget the district will be able to meet its financial obligations for 2017-2018, for subsequent fiscal years 2018-2019 and 2019-2020, and maintain a reserve for uncertainties equal to ten percent of total expenditures.

# **MERCED UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017**

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

This financial report is designed to provide our citizens, taxpayers, students, and 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 any questions about this report or need any additional financial information, contact:

Scott Weimer  
Assistant Superintendent/CBO, Business Services  
Merced Union High School District  
3430 A Street, Castle Airport  
Atwater, California 95301

Telephone number: (209) 325-2030



# MERCED UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 55,692,953
Receivables	4,721,995
Stores inventories	233,559
Discounts on debt issuance	239,228
Nondepreciable capital assets	47,878,024
Capital assets being depreciated	248,517,714
Accumulated depreciation	(85,891,595)
<b>Total Assets</b>	<b>271,391,878</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	22,609,887
<b>LIABILITIES</b>	
Accounts payable	9,572,244
Unearned revenue	2,812,202
Long-term obligations:	
Current portion of long-term obligations other than pensions	12,730,962
Noncurrent portion of long-term obligations other than pensions	129,001,874
Total Long-Term Obligations	141,732,836
Aggregate net pension liability	107,266,396
<b>Total Liabilities</b>	<b>261,383,678</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	3,585,363
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	73,944,285
Restricted for:	
Debt service	14,905,793
Capital projects	3,368,593
Educational programs	2,340,130
Other activities	64,541
Unrestricted	(65,590,618)
<b>Total Net Position</b>	<b>\$ 29,032,724</b>

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

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 76,630,238	\$ 180,079	\$ 14,757,491	\$ (61,692,668)
Instruction-related activities:				
Supervision of instruction	4,985,712	236	1,719,344	(3,266,132)
Instructional library, media and technology	1,833,491	-	66,287	(1,767,204)
School site administration	11,816,209	17,762	1,120,775	(10,677,672)
Pupil services:				
Home-to-school transportation	3,791,101	2,486	767,728	(3,020,887)
Food services	5,643,674	529,668	3,646,570	(1,467,436)
All other pupil services	12,363,081	3,063	1,176,042	(11,183,976)
General administration:				
Data processing	1,591,324	-	-	(1,591,324)
All other general administration	5,259,993	1,591	552,687	(4,705,715)
Plant services	14,868,894	1,848	150,619	(14,716,427)
Ancillary services	2,387,583	-	65,620	(2,321,963)
Enterprise services	151,279	-	-	(151,279)
Interest on long-term obligations	7,374,132	-	-	(7,374,132)
Other outgo	2,042,561	43,723	323,895	(1,674,943)
<b>Total Governmental-Type Activities</b>	<b>\$ 150,739,272</b>	<b>\$ 780,456</b>	<b>\$ 24,347,058</b>	<b>(125,611,758)</b>
General revenues and subventions:				
				17,666,298
Property taxes, levied for general purposes				7,183,337
Property taxes, levied for debt service				82,255
Taxes levied for other specific purposes				94,157,558
Federal and State aid not restricted to specific purposes				581,738
Interest and investment earnings				167,228
Transfers between agencies				5,761,587
Miscellaneous				
<b>Subtotal, General Revenues</b>				<b>125,600,001</b>
<b>Change in Net Position</b>				<b>(11,757)</b>
Net Position - Beginning				29,044,481
Net Position - Ending				<b>\$ 29,032,724</b>

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

**MERCED UNION HIGH SCHOOL DISTRICT**

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

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 34,591,870	\$ 519,502	\$ 14,905,793
Receivables	3,442,267	3,191	-
Due from other funds	584,616	42,319	-
Stores inventories	170,350	-	-
<b>Total Assets</b>	<b>\$ 38,789,103</b>	<b>\$ 565,012</b>	<b>\$ 14,905,793</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 7,381,747	\$ 528,141	\$ -
Due to other funds	3,422,626	-	-
Unearned revenue	2,812,202	-	-
<b>Total Liabilities</b>	<b>13,616,575</b>	<b>528,141</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	190,350	-	-
Restricted	2,104,293	36,871	14,905,793
Committed	1,074,786	-	-
Assigned	8,500,880	-	-
Unassigned	13,302,219	-	-
<b>Total Fund Balances</b>	<b>25,172,528</b>	<b>36,871</b>	<b>14,905,793</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 38,789,103</b>	<b>\$ 565,012</b>	<b>\$ 14,905,793</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,675,788	\$ 55,692,953
1,276,537	4,721,995
3,457,607	4,084,542
63,209	233,559
<u>\$ 10,473,141</u>	<u>\$ 64,733,049</u>

\$ 1,662,356	\$ 9,572,244
661,916	4,084,542
-	2,812,202
<u>2,324,272</u>	<u>16,468,988</u>

64,541	254,891
3,604,430	20,651,387
767,405	1,842,191
3,712,493	12,213,373
-	13,302,219
<u>8,148,869</u>	<u>48,264,061</u>

<u>\$ 10,473,141</u>	<u>\$ 64,733,049</u>
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**MERCED UNION HIGH SCHOOL DISTRICT**

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

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 48,264,061</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 296,395,738	
Accumulated depreciation is	<u>(85,891,595)</u>	
Total capital assets		210,504,143
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		9,072,794
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		900,136
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		10,630,160
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(743,757)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(834,809)
Debt discounts are reported currently under the modified accrual basis, but are capitalized and amortized over the life of the debt under the accrual basis.		239,228
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(107,266,396)

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

**MERCED UNION HIGH SCHOOL DISTRICT**

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

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Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year end consist of:

General obligation bonds	\$ 136,273,054	
Bond premiums	323,675	
Compensated absences	510,330	
Other postemployment benefits	3,647,891	
Public agency retirement system	977,886	
Total long-term obligations		<u>\$ (141,732,836)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 29,032,724</u></u></b>

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>General Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>		
Local Control Funding Formula	\$ 106,974,657	\$ -
Federal sources	7,292,016	-
Other state sources	15,846,311	-
Other local sources	1,909,341	147,503
<b>Total Revenues</b>	<b>132,022,325</b>	<b>147,503</b>
<b>EXPENDITURES</b>		
Current		
Instruction	67,474,742	-
Instruction-related activities:		
Supervision of instruction	4,865,362	-
Instructional library, media and technology	1,702,700	-
School site administration	10,697,179	-
Pupil Services:		
Home-to-school transportation	3,687,123	-
Food services	260,757	-
All other pupil services	11,929,374	-
General administration:		
Data processing	1,538,573	-
All other general administration	5,009,658	-
Plant services	12,055,020	-
Facility acquisition and construction	2,554,649	17,411,877
Ancillary services	2,352,947	-
Other outgo	2,042,561	-
Enterprise services	151,279	-
Debt service		
Principal	-	-
Interest and other	-	-
<b>Total Expenditures</b>	<b>126,321,924</b>	<b>17,411,877</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,700,401</b>	<b>(17,264,374)</b>
<b>Other Financing Sources (Uses):</b>		
Transfers in	429,078	-
Other sources	-	5,945
Transfers out	(5,700,263)	-
<b>Net Financing Sources (Uses)</b>	<b>(5,271,185)</b>	<b>5,945</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>429,216</b>	<b>(17,258,429)</b>
<b>Fund Balance - Beginning</b>	<b>24,743,312</b>	<b>17,295,300</b>
<b>Fund Balance - Ending</b>	<b>\$ 25,172,528</b>	<b>\$ 36,871</b>

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

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 374,034	\$ 107,348,691
1,492,213	3,969,919	12,754,148
-	431,835	16,278,146
7,307,748	4,565,958	13,930,550
<u>8,799,961</u>	<u>9,341,746</u>	<u>150,311,535</u>
-	2,208,991	69,683,733
-	-	4,865,362
-	-	1,702,700
-	724,484	11,421,663
-	-	3,687,123
-	5,236,928	5,497,685
-	98,968	12,028,342
-	-	1,538,573
-	154,005	5,163,663
-	373,721	12,428,741
-	2,717,106	22,683,632
-	-	2,352,947
-	-	2,042,561
-	-	151,279
2,655,000	-	2,655,000
3,041,375	-	3,041,375
<u>5,696,375</u>	<u>11,514,203</u>	<u>160,944,379</u>
<u>3,103,586</u>	<u>(2,172,457)</u>	<u>(10,632,844)</u>
-	5,700,263	6,129,341
-	-	5,945
-	(429,078)	(6,129,341)
-	5,271,185	5,945
<u>3,103,586</u>	<u>3,098,728</u>	<u>(10,626,899)</u>
11,802,207	5,050,141	58,890,960
<u>\$ 14,905,793</u>	<u>\$ 8,148,869</u>	<u>\$ 48,264,061</u>



**MERCED UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (10,626,899)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Capital outlays	\$ 23,371,710	
Depreciation expense	<u>(8,079,466)</u>	15,292,244

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (3,179)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds. (4,336,882)

In the Statement of Activities, compensated absences (vacations), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$122,620. (122,620)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (2,627,262)

In the Statement of Activities, certain operating expenses, early retirements, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, payments exceeded early retirements granted by \$475,231. 475,231

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2017**

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Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	\$	11,161
Discount amortization		(7,036)

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

General obligation bonds		2,655,000
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In governmental funds, Postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

		(721,515)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(11,757)</u></b>

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

**MERCED UNION HIGH SCHOOL DISTRICT**

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

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	Private- Purpose Trusts	Agency		Total
	Scholarships	Deferred Compensation	Student Body	
<b>ASSETS</b>				
Deposits and investments	\$ 1,497,522	\$ 1,335,837	\$ 994,051	\$ 3,827,410
<b>LIABILITIES</b>				
Due to student groups and employees	\$ -	\$ 1,335,837	\$ 994,051	\$ 2,329,888
<b>NET POSITION</b>				
Reserved for scholarships	\$ 1,497,522	\$ -	\$ -	\$ 1,497,522

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>Private- Purpose Trusts</b>
	<b>Scholarships</b>
<b>ADDITIONS</b>	
Trust income	\$ 583,799
Contributions	8,963
Interest	2,996
<b>Total Additions</b>	<u>595,758</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	657,898
Miscellaneous	275
<b>Total Deductions</b>	<u>658,173</u>
<b>Change in Net Position</b>	(62,415)
<b>Net Position - Beginning</b>	<u>1,559,937</u>
<b>Net Position - Ending</b>	<u>\$ 1,497,522</u>

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Merced Union High School District (the District) was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District is currently operating schools in the cities of Atwater, Livingston, and Merced. The City of Merced has four campuses. Merced High School, Golden Valley High School, and El Capitan High School have classes at the ninth through twelfth grade levels. East Campus Educational Center (ECEC) supports five educational programs: Yosemite High School which serves as the District's continuation school; Sequoia High School which serves as the District's community day school, Independence High School which provides independent study opportunities; classes for students from Merced and Golden Valley High School; and the main facility for the Adult School Program is located at ECEC. The City of Atwater has two campuses. Atwater High School and Buhach Colony High School have classes at the ninth through twelfth grade levels. The City of Livingston has one campus. Livingston High School has classes at the ninth through twelfth grade levels.

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets of \$9,627,357, a decrease in liabilities of \$1,000,000, an increase in revenue of \$236,874, a decrease in interfund transfers in of \$1,622,014, and a decrease in interfund transfers out of \$1,000,000.

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

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

### Non-Major Governmental Funds

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

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

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

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

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

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

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

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

### **Investments**

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for land, buildings and land improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

### **Interfund Balances**

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

### **Compensated Absences**

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

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

### **Premiums and Discounts**

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

In governmental fund financial statements, debt premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Deferred Outflows/Inflows of Resources

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

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

### Pensions

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

### Accounts Payable and Long-Term Obligations

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

### Fund Balances - Governmental Funds

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

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

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

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$20,679,057 of restricted net position.

### Interfund Activity

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Estimates

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

### Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

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

### Change in Accounting Principles

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

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

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

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

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

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### New Accounting Pronouncements

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

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

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

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

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

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



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

Governmental activities	\$ 55,692,953
Fiduciary funds	3,827,410
Total Deposits and Investments	<u>\$ 59,520,363</u>

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

Cash on hand and in banks	\$ 1,025,838
Cash in revolving	21,232
Investments	58,473,293
Total Deposits and Investments	<u>\$ 59,520,363</u>

#### Policies and Practices

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

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### General Authorizations

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

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

### Interest Rate Risk

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Segmented Time Distribution

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More Than 60 Months</u>
Mutual Funds	\$ 2,039,787	\$ 2,039,787	\$ -	\$ -	\$ -
Certificates of Deposit	754,543	754,543	-	-	-
County Pool	55,369,212	-	55,369,212	-	-
Total	<u>\$ 58,163,542</u>	<u>\$ 2,794,330</u>	<u>\$ 55,369,212</u>	<u>\$ -</u>	<u>\$ -</u>

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, \$1,204,559 of the District's bank balances were exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Mutual Funds and Certificates of Deposit of \$2,794,330, the District has a custodial credit risk exposure of \$2,294,330, because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

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

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

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

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

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2017, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 999,891	\$ -	\$ 602,415	\$ 1,602,306
State Government				
State grants and apportionments	2,145,796	-	328,965	2,474,761
Local Sources	296,580	3,191	345,157	644,928
Total	<u>\$ 3,442,267</u>	<u>\$ 3,191</u>	<u>\$ 1,276,537</u>	<u>\$ 4,721,995</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,296,486	\$ -	\$ -	\$ 13,296,486
Construction in progress	12,975,485	21,659,357	53,304	34,581,538
Total Capital Assets Not Being Depreciated	<u>26,271,971</u>	<u>21,659,357</u>	<u>53,304</u>	<u>47,878,024</u>
Capital Assets being depreciated				
Land improvements	21,514,217	211,281	-	21,725,498
Buildings and improvements	205,925,506	641,881	-	206,567,387
Furniture and equipment	19,315,513	912,495	3,179	20,224,829
Total Capital Assets Being Depreciated	<u>246,755,236</u>	<u>1,765,657</u>	<u>3,179</u>	<u>248,517,714</u>
Less Accumulated Depreciation				
Land improvements	13,310,208	625,269	-	13,935,477
Buildings and improvements	52,446,572	6,579,405	-	59,025,977
Furniture and equipment	12,055,349	875,791	999	12,930,141
Total Accumulated Depreciation	<u>77,812,129</u>	<u>8,080,465</u>	<u>999</u>	<u>85,891,595</u>
Governmental Activities Capital Assets, Net	<u>\$ 195,215,078</u>	<u>\$ 15,344,549</u>	<u>\$ 55,484</u>	<u>\$ 210,504,143</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,839,796
Instructional library, media, and technology	89,976
School site administration	63,436
Home-to-school transportation	63,387
Food services	73,873
All other pupil services	4,663
Data processing	17,954
All other general administration	59,131
Plant services	2,868,249
Total Depreciation Expenses, Governmental Activities	<u>\$ 8,080,465</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**NOTE 6 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 584,616	\$ 3,422,626
Building	42,319	-
Total Major Governmental Funds	<u>626,935</u>	<u>3,422,626</u>
Non-Major Governmental Funds		
Adult Education	6,210	127,102
Child Development	2,835	59,400
Cafeteria	74,528	433,095
Deferred Maintenance	374,034	-
Capital Facilities	-	42,319
Special Reserve Capital Outlay	<u>3,000,000</u>	-
Total Non-Major Governmental Funds	<u>3,457,607</u>	<u>661,916</u>
Total All Governmental Funds	<u>\$ 4,084,542</u>	<u>\$ 4,084,542</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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The General Fund owes the Cafeteria Non-Major Governmental Fund for stale dated warrants.	\$ 203
The General Fund owes the Cafeteria Fund Non-Major Governmental for food service expenditures.	39,344
The General Fund owes the Child Development Non-Major Governmental Fund for stores and transportation costs.	2,835
The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for maintenance and operations costs.	374,034
The General Fund owes the Adult Education Non-Major Governmental Fund for stores and transportation costs.	6,210
The General Fund owes the Special Reserve Capital Outlay Non-Major Governmental Fund for LCAP facilities project contribution.	3,000,000
The Adult Education Non-Major Governmental Fund owes the General Fund for retiree health cost contributions.	2,756
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	122,451
The Adult Education Non-Major Governmental Fund owes the General Fund for fees, stores, and transportation costs.	1,895
The Child Development Non-Major Governmental Fund owes the General Fund for retiree health cost contributions.	490
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs.	23,654
The Child Development Non-Major Governmental Fund owes the General Fund for stores and transportation costs.	275
The Child Development Non-Major Governmental Fund owes the Cafeteria Non-Major Governmental Fund for food costs.	34,981
The Cafeteria Non-Major Governmental Fund owes the General Fund for retiree health cost distributions.	3,988
The Cafeteria Non-Major Governmental Fund owes the General Fund to repay a loan.	429,107
The Capital Facilities Non-Major Governmental Fund owes the Building Fund as a correction to a misposting.	42,319
Total	<u>\$ 4,084,542</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2017, consist of the following:

The General Fund transferred to the Adult Education Non-Major Governmental Fund for cash flow purposes.	\$ 309,500
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to supplement fund operations.	1,151,244
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future repair and maintenance costs.	750,000
The General Fund transferred to the Child Development Non-Major Governmental Fund to supplement fund operations.	489,519
The General Fund transferred to the Special Reserve Capital Outlay Non-Major Governmental Fund for future capital outlay.	3,000,000
The Cafeteria Non-Major Governmental Fund transferred to the General Fund to repay a loan.	429,078
Total	<u><u>\$ 6,129,341</u></u>

**NOTE 7 - ACCOUNTS PAYABLE**

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 4,222,291	\$ 528,141	\$ 1,404,969	\$ 6,155,401
Salaries and benefits payable	587,241	-	257,387	844,628
State apportionment	382,826	-	-	382,826
Deferred payroll	2,189,389	-	-	2,189,389
Total	<u><u>\$ 7,381,747</u></u>	<u><u>\$ 528,141</u></u>	<u><u>\$ 1,662,356</u></u>	<u><u>\$ 9,572,244</u></u>



**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 8 - UNEARNED REVENUE**

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

	General Fund
Federal financial assistance	\$ 93,462
State categorical aid	2,718,740
Total	<u>\$ 2,812,202</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2016	Additions and Accretion	Deductions	Balance June 30, 2017	Due in One Year
1999 Capital Appreciation Bonds, Series A	\$ 16,844,075	\$ 854,148	\$ 2,140,000	\$ 15,558,223	\$ 2,185,000
2009 Current Interest Bonds, Series A	20,905,000	-	460,000	20,445,000	565,000
2009 Capital Appreciation Bonds, Series A	2,630,314	234,932	-	2,865,246	-
2011 Current Interest Bonds, Series B-1	25,000,000	-	-	25,000,000	9,655,000
2011 Capital Appreciation Bonds, Series B	856,152	103,212	-	959,364	-
2011 Capital Appreciation Bonds, Series C	18,870,679	1,241,635	-	20,112,314	-
2015 Capital Appreciation Refunding Bonds	31,513,668	1,684,502	-	33,198,170	-
2008 Current Interest Bonds, Series D	13,000,000	-	55,000	12,945,000	-
2008 Capital Appreciation Bonds, Series D	4,971,284	218,453	-	5,189,737	-
Bond Premium	334,836	-	11,161	323,675	-
Compensated absences - net	387,710	122,620	-	510,330	-
Other postemployment benefits	2,926,376	1,951,185	1,229,670	3,647,891	-
Public Agency Retirement System	1,453,117	-	475,231	977,886	325,962
Total	<u>\$ 139,693,211</u>	<u>\$ 6,410,687</u>	<u>\$ 4,371,062</u>	<u>\$ 141,732,836</u>	<u>\$ 12,730,962</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from the assessment on property owners in the applicable boundaries. The compensated absences liability is paid by the fund that the employee worked. The Other Postemployment Benefits and Public Agency Retirement System obligations are paid for by the General Fund.

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2016	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2017
Capital Appreciation Series A	8/1/99	8/1/24	5.4-5.75	\$ 9,221,061	\$ 16,844,075	\$ 854,148	\$ 2,140,000	\$ 15,558,223
Current Interest Series A	4/17/09	8/1/29	2.0-5.0	23,560,000	20,905,000	-	460,000	20,445,000
Capital Appreciation Series A	4/17/09	8/1/34	5.4-5.75	1,439,944	2,630,314	234,932	-	2,865,246
Current Interest Series B-1	2/16/11	8/1/25	5.379-6.716	25,000,000	25,000,000	-	-	25,000,000
Capital Appreciation Series B-1	2/16/11	8/1/27	7.05-7.15	462,545	856,152	103,212	-	959,364
Capital Appreciation Series C	11/9/11	8/1/37	3.80-6.72	30,489,821	18,870,679	1,241,635	-	20,112,314
Capital Appreciation 2015	5/27/15	8/1/51	3.80-7.42	29,749,417	31,513,668	1,684,502	-	33,198,170
Current Interest Series D	9/24/15	8/1/45	2.00-5.00	13,000,000	13,000,000	-	55,000	12,945,000
Capital Appreciation Series D	9/24/15	8/1/40	1.63-4.84	4,799,586	4,971,284	218,453	-	5,189,737
Total				<u>\$ 137,722,374</u>	<u>\$ 134,591,172</u>	<u>\$ 4,336,882</u>	<u>\$ 2,655,000</u>	<u>\$ 136,273,054</u>

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,631,061, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from ad valorem property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 1999, and is payable semiannually commencing February 1, 2000. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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The Merced Union High School District 2008 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,999,994, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 2009, and is payable semiannually commencing February 1, 2010. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2009 with the exception of the Capital Accretion Bonds which mature May 1, 2034 which compound semiannually on May 1 and November 1 of each year, commencing November 1, 2009.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of \$462,565 (the "Series B Bonds") and the Merced Union High School District Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds - Direct Payment to District) (Federally Taxable) in the aggregate principal amount of \$25,000,000 (the "Series B-1 Bonds," together with the Series B Bonds, the "Bonds," were authorized at an election of the registered voters of the District held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds. Interest with respect to the Current Interest Bonds accrues from the date of initial delivery thereof and is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2011. The Current Interest Bonds are issuable as fully registered Bonds in denomination of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of initial delivery thereof and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof, except for one odd denomination if necessary.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of \$30,489,821 (the "Bonds") were authorized at an election of the registered voters of the Merced Union High School District (the "District") held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). The Bonds will be issued as capital appreciation bonds, such that the Bonds will not bear interest on a current basis, but will instead accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof. A bond discount in the amount of \$274,408 will be capitalized and amortized over the life of the bonds.

The Merced Union High School District 2015 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series C and pay the costs of issuance of the Bonds. The Bonds will be issued as capital appreciation bonds. The Bonds will accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2015. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof.

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

On September 24, 2015, the District issued Election of 2008, Series D General Obligation Bonds, in the amount of \$17,799,586 to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The Bonds, were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2016. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The bonds were issued at a premium in the amount of \$345,997 which will be amortized over the life of the bonds.

**Debt Service Requirements to Maturity**

1999 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2018	\$ 2,185,000	\$ -	\$ 2,185,000
2019	2,112,969	122,031	2,235,000
2020	2,040,962	244,038	2,285,000
2021	1,975,428	364,572	2,340,000
2022	1,905,308	484,692	2,390,000
2023-2025	5,338,556	2,161,444	7,500,000
Total	<u>\$ 15,558,223</u>	<u>\$ 3,376,777</u>	<u>\$ 18,935,000</u>

2009 Current Interest, Series A - Payment Summary:

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 565,000	\$ 980,443	\$ 1,545,443
2019	675,000	956,350	1,631,350
2020	800,000	926,850	1,726,850
2021	940,000	892,050	1,832,050
2022	1,090,000	846,000	1,936,000
2023-2027	8,355,000	3,156,625	11,511,625
2028-2030	8,020,000	631,250	8,651,250
Total	<u>\$ 20,445,000</u>	<u>\$ 8,389,568</u>	<u>\$ 28,834,568</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

2009 Capital Appreciation, Series A - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2031	\$ 1,403,184	\$ 1,876,816	\$ 3,280,000
2032	885,222	2,624,778	3,510,000
2035	576,840	3,603,160	4,180,000
Total	<u>\$ 2,865,246</u>	<u>\$ 8,104,754</u>	<u>\$ 10,970,000</u>

2011 Current Interest, Series B-1 - Payment Summary:

The bonds mature through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 9,655,000	\$ 1,492,213	\$ 11,147,213
2019	1,805,000	972,870	2,777,870
2020	1,670,000	873,071	2,543,071
2021	1,735,000	775,944	2,510,944
2022	1,820,000	671,567	2,491,567
2023-2026	8,315,000	1,433,194	9,748,194
Total	<u>\$ 25,000,000</u>	<u>\$ 6,218,859</u>	<u>\$ 31,218,859</u>

2011 Capital Appreciation, Series B - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2027	\$ 494,064	\$ 915,936	\$ 1,410,000
2028	465,300	944,700	1,410,000
Total	<u>\$ 959,364</u>	<u>\$ 1,860,636</u>	<u>\$ 2,820,000</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

2011 Capital Appreciation, Series C - Accretion Summary:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2019	\$ 81,855	\$ 3,145	\$ 85,000
2020	73,744	6,256	80,000
2021	78,750	11,250	90,000
2022	78,736	16,264	95,000
2023	78,120	21,880	100,000
2024-2028	1,427,083	1,022,917	2,450,000
2029-2033	7,655,480	10,239,520	17,895,000
2034-2038	10,638,546	24,436,454	35,075,000
Total	<u>\$ 20,112,314</u>	<u>\$ 35,757,686</u>	<u>\$ 55,870,000</u>

2015 General Obligation Refunding Bond:

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2039-2043	\$ 12,550,095	\$ 28,044,905	\$ 40,595,000
2044-2048	11,890,517	39,314,483	51,205,000
2049-2052	8,757,558	41,672,442	50,430,000
Total	<u>\$ 33,198,170</u>	<u>\$ 109,031,830</u>	<u>\$ 142,230,000</u>

2008 Current Interest, Series D - Payment Summary

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ -	\$ 547,800	\$ 547,800
2019	-	547,800	547,800
2020	-	547,800	547,800
2021	-	547,800	547,800
2022	-	547,800	547,800
2023-2027	-	2,739,000	2,739,000
2028-2032	-	2,739,000	2,739,000
2033-2037	-	2,739,000	2,739,000
2038-2042	2,590,000	2,674,250	5,264,250
2043-2046	10,355,000	719,550	11,074,550
Total	<u>\$ 12,945,000</u>	<u>\$ 14,349,800</u>	<u>\$ 27,294,800</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

2008 Capital Appreciation, Series D - Accretion Summary

<u>Maturity</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Final Maturity</u>
2019	\$ 29,514	\$ 486	\$ 30,000
2020	52,855	2,145	55,000
2021	65,450	4,550	70,000
2022	81,486	8,514	90,000
2023	95,766	14,234	110,000
2024-2028	703,517	231,483	935,000
2029-2033	826,558	623,442	1,450,000
2034-2038	904,409	1,180,591	2,085,000
2039-2041	2,430,182	4,504,818	6,935,000
Total	<u>\$ 5,189,737</u>	<u>\$ 6,570,263</u>	<u>\$ 11,760,000</u>

**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2017, amounted to \$510,330.

**Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2017, was \$1,819,498, and contributions made by the District during the year were \$1,055,273. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$131,687 and \$(174,397), respectively, which resulted in an increase to the net OPEB obligation of \$721,515. As of June 30, 2017, the net OPEB obligation was \$3,647,891. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**Early Retirement**

The District has obligations to the Public Agency Retirement System totaling \$977,886 for early retirement incentives granted to terminated employees. Payments will be made as follows:

<u>Year Ending June 30,</u>	<u>PARS Payment</u>
2018	\$ 325,962
2019	325,962
2020	325,962
Total	<u>\$ 977,886</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ 1,332	\$ 21,332
Stores inventories	170,350	-	-	63,209	233,559
Total Nonspendable	<u>190,350</u>	<u>-</u>	<u>-</u>	<u>64,541</u>	<u>254,891</u>
Restricted					
Legally restricted programs	2,104,293	-	-	235,837	2,340,130
Capital projects	-	36,871	-	3,368,593	3,405,464
Debt service	-	-	14,905,793	-	14,905,793
Total Restricted	<u>2,104,293</u>	<u>36,871</u>	<u>14,905,793</u>	<u>3,604,430</u>	<u>20,651,387</u>
Committed					
Pupil Transportation	1,074,786	-	-	-	1,074,786
Adult education programs	-	-	-	569,173	569,173
Deferred maintenance projects	-	-	-	198,232	198,232
Total Committed	<u>1,074,786</u>	<u>-</u>	<u>-</u>	<u>767,405</u>	<u>1,842,191</u>
Assigned					
Retiree benefits	1,446,870	-	-	-	1,446,870
LCAP CTE planning	1,373,031	-	-	-	1,373,031
Retiree self-pay	304,874	-	-	-	304,874
Chromebook repair	47,292	-	-	-	47,292
Athletic equipment	2,482	-	-	-	2,482
Projects from one time State funding	3,178,775	-	-	-	3,178,775
Microsoft settlement	119,263	-	-	-	119,263
E-rate	61,820	-	-	-	61,820
Supplemental and Concentration	1,966,473	-	-	-	1,966,473
Capital Projects	-	-	-	3,712,493	3,712,493
Total Assigned	<u>8,500,880</u>	<u>-</u>	<u>-</u>	<u>3,712,493</u>	<u>12,213,373</u>
Unassigned					
Reserve for economic uncertainties	13,302,219	-	-	-	13,302,219
Total	<u>\$ 25,172,528</u>	<u>\$ 36,871</u>	<u>\$ 14,905,793</u>	<u>\$ 8,148,869</u>	<u>\$ 48,264,061</u>



**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Merced Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 62 retirees and beneficiaries currently receiving benefits and 888 active plan members as of the date of the last actuarial study.

**Contribution Information**

For fiscal year 2016-2017, the District contributed \$1,055,273 to the plan, all of which was used for current premiums (approximately 87.5 percent of total premiums). Plan members receiving benefits contributed \$151,279, or approximately 12.5 percent of the total premiums.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 1,819,498
Interest on net OPEB obligation	131,687
Adjustment to annual required contribution	(174,397)
Annual OPEB cost	<u>1,776,788</u>
Contributions made	<u>(1,055,273)</u>
Increase in net OPEB obligation	721,515
Net OPEB obligation, beginning of year	<u>2,926,376</u>
Net OPEB obligation, end of year	<u><u>\$ 3,647,891</u></u>

**Trend Information**

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

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2017	\$ 1,776,788	\$ 1,055,273	59%	\$ 3,647,891
2016	1,789,030	950,272	53%	2,926,376
2015	1,672,226	1,215,143	73%	2,087,618

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2016	\$ -	\$ 16,557,923	\$ 16,557,923	0%	\$ 61,175,070	27.07%

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

**Actuarial Methods and Assumptions**

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

In the March 1, 2016, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates used four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2017, was 22 years.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### NOTE 12 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Self Insured Schools of California for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2017, the District participated in the Merced County Schools Insurance Group, an insurance purchasing pool. The intent of the Merced County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Merced County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Merced County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Merced County Schools Insurance Group. Participation in the Merced County Schools Insurance Group is limited to districts that can meet the Merced County Schools Insurance Group selection criteria.

#### Employee Medical Benefits

The District has contracted with the Self Insured Schools of California Health and Welfare Program to provide employee health benefits. Self Insured Schools of California Health and Welfare Program is a shared risk pool comprised of agencies within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 79,480,214	\$ 14,016,074	\$ 2,750,554	\$ 7,907,248
CalPERS	27,786,182	8,593,813	834,809	3,792,808
Total	\$ 107,266,396	\$ 22,609,887	\$ 3,585,363	\$ 11,700,056

The details of each plan are as follows:

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

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

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

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$6,576,521.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 79,480,214
State's proportionate share of the net pension liability associated with the District	45,246,668
Total	<u>\$ 124,726,882</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0983 percent and 0.0995 percent, resulting in a net decrease in the proportionate share of 0.0012 percent.

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

For the year ended June 30, 2017, the District recognized pension expense of \$7,907,248. In addition, the District recognized pension expense and revenue of \$4,373,567 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,576,521	\$ -
Net change in proportionate share of net pension liability	1,120,915	811,725
Difference between projected and actual earnings on pension plan investments	6,318,638	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,938,829
Total	<u>\$ 14,016,074</u>	<u>\$ 2,750,554</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2018	\$ 137,852
2019	137,853
2020	3,673,046
2021	2,369,887
Total	<u>\$ 6,318,638</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (264,951)
2019	(264,951)
2020	(264,951)
2021	(264,951)
2022	(264,949)
Thereafter	(304,886)
Total	<u>\$ (1,629,639)</u>

### Actuarial Methods and Assumptions

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

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

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 114,389,953
Current discount rate (7.60%)	\$ 79,480,214
1% increase (8.60%)	\$ 50,486,214



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$2,496,273.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$27,786,182. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.1407 percent and 0.1361 percent, resulting in a net increase in the proportionate share of 0.0046 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,792,808. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,496,273	\$ -
Net change in proportionate share of net pension liability	590,946	-
Difference between projected and actual earnings on pension plan investments	4,311,522	-
Differences between expected and actual experience in the measurement of the total pension liability	1,195,072	-
Changes of assumptions	-	834,809
Total	<u>\$ 8,593,813</u>	<u>\$ 834,809</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 604,748
2019	604,749
2020	1,976,757
2021	1,125,268
Total	<u>\$ 4,311,522</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 330,300
2019	329,633
2020	291,276
Total	<u>\$ 951,209</u>

**Actuarial Methods and Assumptions**

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

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

**MERCED UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 41,457,139
Current discount rate (7.65%)	\$ 27,786,182
1% increase (8.65%)	\$ 16,402,421

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Social Security

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

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,961,352 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

## NOTE 14 - COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

### Operating Leases

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Atwater High School gym	\$ 1,305,579	September 2017
Atwater High School shop roofing project	55,180	July 2017
California Clean Energy Jobs Act compliant projects	618,220	January 2018
District-wide HVAC software update	84,989	September 2017
Golden Valley High School stadium	33,760	September 2017
Livingston High School pool	171,479	September 2017
Merced High School gym	1,372,704	September 2017
Total	<u>\$ 3,641,911</u>	

### NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self-Insured Schools of California (SISC III), the Self-Insured Schools of California (SISC II), and the Merced County Schools Insurance Group (MCSIG) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

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

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2017, the District made payment of \$10,011,305 to SISC III for medical, dental and vision insurance.

The District has no appointed members to the governing board of SISC II.

During the year ended June 30, 2017, the District made payment of \$604,825 to SISC II for property and liability insurance.

The District has appointed two members to the governing board of MCSIG.

During the year ended June 30, 2017, the District made payment of \$2,612,406 to MCSIG for workers' compensation insurance.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MERCED UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 104,584,355	\$ 106,052,097	\$ 106,974,657	\$ 922,560
Federal sources	7,634,173	7,822,922	7,292,016	(530,906)
Other state sources	14,507,217	15,895,622	15,846,311	(49,311)
Other local sources	2,217,271	2,281,910	1,909,341	(372,569)
<b>Total Revenues <sup>1</sup></b>	<b>128,943,016</b>	<b>132,052,551</b>	<b>132,022,325</b>	<b>(30,226)</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	50,824,035	53,189,213	52,832,585	356,628
Classified salaries	18,359,349	17,654,093	17,830,649	(176,556)
Employee benefits	27,461,616	28,325,359	27,965,397	359,962
Books and supplies	10,215,402	10,210,240	7,294,484	2,915,756
Services and operating expenditures	14,720,627	15,707,843	15,280,314	427,529
Other outgo	1,523,709	1,944,157	1,896,455	47,702
Capital outlay	1,673,789	3,530,101	3,222,040	308,061
<b>Total Expenditures <sup>1</sup></b>	<b>124,778,527</b>	<b>130,561,006</b>	<b>126,321,924</b>	<b>4,239,082</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,164,489</b>	<b>1,491,545</b>	<b>5,700,401</b>	<b>4,208,856</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	285,000	2,002,106	429,078	(1,573,028)
Transfers out	(6,597,634)	(4,812,999)	(5,700,263)	(887,264)
<b>Net Financing Sources (Uses)</b>	<b>(6,312,634)</b>	<b>(2,810,893)</b>	<b>(5,271,185)</b>	<b>(2,460,292)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,148,145)</b>	<b>(1,319,348)</b>	<b>429,216</b>	<b>1,748,564</b>
<b>Fund Balance - Beginning</b>	<b>24,743,312</b>	<b>24,743,312</b>	<b>24,743,312</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 22,595,167</b>	<b>\$ 23,423,964</b>	<b>\$ 25,172,528</b>	<b>\$ 1,748,564</b>

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Non-Capital Fund, Fund 15, Pupil Transportation Fund, and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.



**MERCED UNION HIGH SCHOOL DISTRICT**

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

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
March 1, 2016	\$ -	\$ 16,557,923	\$ 16,557,923	0%	\$ 61,175,070	27.07%
March 1, 2014	\$ -	\$ 15,999,046	\$ 15,999,046	0%	\$ 57,990,180	27.59%
March 1, 2012	\$ -	\$ 16,352,081	\$ 16,352,081	0%	\$ 56,449,443	28.97%

See accompanying note to required supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability (asset)	<u>0.0983%</u>	<u>0.0995%</u>
District's proportionate share of the net pension liability (asset)	\$ 79,480,214	\$ 67,020,319
State's proportionate share of the net pension liability (asset) associated with the District	<u>45,246,668</u>	<u>35,446,361</u>
Total	<u>\$ 124,726,882</u>	<u>\$ 102,466,680</u>
District's covered - employee payroll	<u>\$ 50,087,838</u>	<u>\$ 45,747,275</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>158.68%</u>	<u>146.50%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability (asset)	<u>0.1407%</u>	<u>0.1361%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 27,786,182</u>	<u>\$ 20,064,360</u>
District's covered - employee payroll	<u>\$ 16,865,300</u>	<u>\$ 14,889,330</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>164.75%</u>	<u>134.76%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

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2015

0.0974%

\$ 56,914,202

34,367,253

\$ 91,281,455

\$ 43,806,339

129.92%

77%

0.1352%

\$ 15,344,640

\$ 14,183,840

108.18%

83%

**MERCED UNION HIGH SCHOOL DISTRICT**

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

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	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 6,576,521	\$ 5,374,425
Contributions in relation to the contractually required contribution	<u>6,576,521</u>	<u>5,374,425</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 52,277,591</u>	<u>\$ 50,087,838</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 2,496,273	\$ 1,998,032
Contributions in relation to the contractually required contribution	<u>2,496,273</u>	<u>1,998,032</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 17,974,316</u>	<u>\$ 16,865,300</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>

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

See accompanying note to required supplementary information.

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2015

\$ 4,062,358  
4,062,358  
\$ -

\$ 45,747,275

8.88%

\$ 1,752,623  
1,752,623  
\$ -

\$ 14,889,330

11.771%

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

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

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

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

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

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

#### **Schedule of District Contributions**

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

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***SUPPLEMENTARY INFORMATION***

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**MERCED UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education (CDE):			
Adult Education - Basic	84.002A	14508	\$ 158,647
Adult Education - Secondary Education	84.002	13978	142,454
Adult Education - English Literacy	84.002A	14109	25,188
Title I - Part A, Basic	84.010	14329	2,826,849
Title I - Part G, Advanced Placement Fee Assistance	84.330B	14831	54,112
Title II - Part A, Supporting Effective Instruction	84.367	14341	422,120
Title II - Part A, Administrator Training	84.367	14344	13,178
Title III - English Language Acquisition - IEP	84.365	15146	17,709
Title III - English Language Acquisition - LEP	84.365	14346	85,060
Title IV - Part B, 21st Century Community Learning	84.287	14349	1,577,852
Title X - McKinney-Vento Homeless	84.196	14332	107,499
Career and Technical Education, Section 112	84.048	14894	407,540
Special Education, Basic Local Assistance	84.027	13379	1,526,561
Special Education, Mental Health Services	84.027A	14468	53,062
Total U.S. Department of Education			<u>7,417,831</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster:			
Child Nutrition School Programs-Lunch	10.555	13391	2,338,372
Child Nutrition School Programs-Needy Breakfast	10.553	13526	865,353
Child Nutrition School Programs-Meal Supplements	10.555	13391	82,150
Child Nutrition School Programs-Summer Program	10.559	13004	87,324
Food Distribution - Commodities	10.555	13391	257,285
Subtotal, Child Nutrition Cluster			<u>3,630,484</u>
Child Nutrition School Programs-Family Day Care	10.558	13665	13,146
Total U.S. Department of Agriculture			<u>3,643,630</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Activities (Medicaid)	93.778	10060	125,456
Medi-Cal Billing Option (Medicaid)	93.778	10013	75,018
Total U.S. Department of Health and Human Services			<u>200,474</u>
Total Federal Financial Assistance			<u>\$ 11,261,935</u>

See accompanying note to supplementary information.



# MERCED UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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### ORGANIZATION

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates six high schools, one continuation school, one community day school, and one adult school. There were no boundary changes during the year.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Richard Lopez	President	2018
Dave Honey	Vice President	2018
John Medearis	Clerk	2020
Greg Opinski	Member	2018
Julio Valadez	Member	2020

### ADMINISTRATION

Alan Peterson	Superintendent
John Olson	Assistant Superintendent/CBO
Yvonne Eagle	Director of Fiscal Services

See accompanying note to supplementary information.

# MERCED UNION HIGH SCHOOL DISTRICT

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

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	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Ninth through twelfth	9,731.66	9,654.91
Extended Year Special Education		
Ninth through twelfth	2.75	2.75
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.74	1.96
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.20	0.20
Community Day School		
Ninth through twelfth	92.14	99.21
Total ADA	<u>9,828.49</u>	<u>9,759.03</u>

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

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

Grade Level	1986-1987 Minutes Requirement	2016-2017 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12					
Grade 9	64,800	64,816	180	N/A	Complied
Grade 10	64,800	64,816	180	N/A	Complied
Grade 11	64,800	64,816	180	N/A	Complied
Grade 12	64,800	64,816	180	N/A	Complied

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

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

	(Budget) 2018 <sup>1,4</sup>	2017 <sup>4</sup>	2016 <sup>4</sup>	2015 <sup>4</sup>
<b>GENERAL FUND</b>				
Revenues	\$ 129,701,557	\$ 131,785,451	\$ 121,316,602	\$ 97,237,770
Other sources and transfers in	285,000	2,051,092	4,468,373	7,164,503
Total Revenues and Other Sources <sup>3</sup>	129,986,557	133,836,543	125,784,975	104,402,273
Expenditures	125,578,808	126,321,924	112,669,728	102,946,950
Other uses and transfers out	7,631,219	6,700,263	8,277,473	2,994,519
Total Expenditures and Other Uses <sup>3</sup>	133,210,027	133,022,187	120,947,201	105,941,469
INCREASE/(DECREASE) IN FUND BALANCE	\$ (3,223,470)	\$ 814,356	\$ 4,837,774	\$ (1,539,196)
ENDING FUND BALANCE	\$ 11,321,701	\$ 14,545,171	\$ 13,730,815	\$ 8,893,041
AVAILABLE RESERVES <sup>2</sup>	\$ 13,338,263	\$ 13,302,219	\$ 11,549,123	\$ 10,594,386
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.01%	10.00%	9.55%	10.00%
LONG-TERM OBLIGATIONS	Not Available	\$ 141,732,836	\$ 139,693,211	\$ 118,053,513
AVERAGE DAILY ATTENDANCE AT P-2	9,808	9,828	9,636	9,473

The General Fund balance has increased by \$5,652,130 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$3,223,470 (22.16 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$23,679,323 over the past two years due to the issuance of General Obligation Bonds.

Average daily attendance has increased by 355 over the past two years. A decline of 20 ADA is anticipated during fiscal year 2017-2018.

<sup>1</sup> Budget 2018 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments have been excluded from this schedule for fiscal years 2015 and 2016.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund, the Special Reserve Non-Capital Outlay Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	<b>Adult Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 193,506	\$ 147,889	\$ 82,880
Receivables	838,485	-	438,052
Due from other funds	6,210	2,835	74,528
Stores inventories	-	-	63,209
<b>Total Assets</b>	<u>\$ 1,038,201</u>	<u>\$ 150,724</u>	<u>\$ 658,669</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 181,661	\$ 15,752	\$ 161,033
Due to other funds	127,102	59,400	433,095
<b>Total Liabilities</b>	<u>308,763</u>	<u>75,152</u>	<u>594,128</u>
<b>Fund Balances:</b>			
Nonspendable	-	-	64,541
Restricted	160,265	75,572	-
Committed	569,173	-	-
Assigned	-	-	-
<b>Total Fund Balances</b>	<u>729,438</u>	<u>75,572</u>	<u>64,541</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,038,201</u>	<u>\$ 150,724</u>	<u>\$ 658,669</u>

See accompanying note to supplementary information.

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<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 162,927	\$ 3,911,846	\$ 464,161	\$ 712,579	\$ 5,675,788
-	-	-	-	1,276,537
374,034	-	-	3,000,000	3,457,607
-	-	-	-	63,209
<u>\$ 536,961</u>	<u>\$ 3,911,846</u>	<u>\$ 464,161</u>	<u>\$ 3,712,579</u>	<u>\$ 10,473,141</u>
\$ 338,729	\$ 845,773	\$ 119,322	\$ 86	\$ 1,662,356
-	42,319	-	-	661,916
<u>338,729</u>	<u>888,092</u>	<u>119,322</u>	<u>86</u>	<u>2,324,272</u>
-	-	-	-	64,541
-	3,023,754	344,839	-	3,604,430
198,232	-	-	-	767,405
-	-	-	3,712,493	3,712,493
<u>198,232</u>	<u>3,023,754</u>	<u>344,839</u>	<u>3,712,493</u>	<u>8,148,869</u>
<u>\$ 536,961</u>	<u>\$ 3,911,846</u>	<u>\$ 464,161</u>	<u>\$ 3,712,579</u>	<u>\$ 10,473,141</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

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

	<b>Adult Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ -	\$ -	\$ -
Federal sources	326,289	13,146	3,630,484
Other state sources	159,340	5,323	267,172
Other local sources	2,511,065	2,267	592,903
<b>Total Revenues</b>	<b>2,996,694</b>	<b>20,736</b>	<b>4,490,559</b>
<b>EXPENDITURES</b>			
Current			
Instruction	1,813,177	395,814	-
Instruction-related activities:			
School site administration	724,484	-	-
Pupil Services:			
Food services	-	8,561	5,228,367
All other pupil services	33,325	65,643	-
General administration:			
All other general administration	122,451	23,654	-
Plant services	167,466	26,107	18,242
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<b>2,860,903</b>	<b>519,779</b>	<b>5,246,609</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>135,791</b>	<b>(499,043)</b>	<b>(756,050)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	309,500	489,519	1,151,244
Transfers out	-	-	(429,078)
<b>Net Financing Sources (Uses)</b>	<b>309,500</b>	<b>489,519</b>	<b>722,166</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>445,291</b>	<b>(9,524)</b>	<b>(33,884)</b>
<b>Fund Balance - Beginning</b>	<b>284,147</b>	<b>85,096</b>	<b>98,425</b>
<b>Fund Balance - Ending</b>	<b>\$ 729,438</b>	<b>\$ 75,572</b>	<b>\$ 64,541</b>

See accompanying note to supplementary information.



<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 374,034	\$ -	\$ -	\$ -	\$ 374,034
-	-	-	-	3,969,919
-	-	-	-	431,835
3,867	1,437,699	7,254	10,903	4,565,958
<u>377,901</u>	<u>1,437,699</u>	<u>7,254</u>	<u>10,903</u>	<u>9,341,746</u>
-	-	-	-	2,208,991
-	-	-	-	724,484
-	-	-	-	5,236,928
-	-	-	-	98,968
-	7,900	-	-	154,005
123,001	33,026	-	5,879	373,721
1,136,606	885,534	349,590	345,376	2,717,106
<u>1,259,607</u>	<u>926,460</u>	<u>349,590</u>	<u>351,255</u>	<u>11,514,203</u>
<u>(881,706)</u>	<u>511,239</u>	<u>(342,336)</u>	<u>(340,352)</u>	<u>(2,172,457)</u>
750,000	-	-	3,000,000	5,700,263
-	-	-	-	(429,078)
<u>750,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>5,271,185</u>
(131,706)	511,239	(342,336)	2,659,648	3,098,728
329,938	2,512,515	687,175	1,052,845	5,050,141
<u>\$ 198,232</u>	<u>\$ 3,023,754</u>	<u>\$ 344,839</u>	<u>\$ 3,712,493</u>	<u>\$ 8,148,869</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>ASSETS</b>	<u>Scholarships</u>
Deposits and investments	<u>\$ 1,497,522</u>
<b>LIABILITIES</b>	
<b>NET POSITION</b>	
<b>Reserved for scholarships</b>	
Non-Expendable:	
Acker Scholarship	\$ 27,136
Alvernaz Scholarship	20,213
Beal Scholarship	11,192
Callister Scholarship	3,048
Cavaiani Scholarship	10,130
Chamberlain Scholarship	19,685
Cruikshank Scholarship	14,068
Landram Scholarship	26,194
Montano Scholarship	5,487
Mudd Scholarship	21,135
Okuda Scholarship	10,262
Roberts Scholarship	9,281
Roveto Scholarship	131,386
Weimer Scholarship	42,828
Expendable:	
AARP Scholarship	504
Barnes Scholarship	17,585
Bloss Scholarship	782,116
Brewer, James Scholarship	18,256
Brewer, Pamela Scholarship	17,285
Broussard Scholarship	1,539
Brown Scholarship	6,939
Church Scholarship	10,624
Crookham Scholarship	142
Dallas Scholarship	1,295
Dibblee, Al Scholarship	31,587
Ed Dimsey Scholarship	1,000
Fancher Scholarship	144,911
Fite Scholarship	386
Gear Up Scholarship	6
Granado Scholarship	2,755
Jackson Scholarship	3,143
Joyner Scholarship	110

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION, Continued  
JUNE 30, 2017**

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**NET POSITION, Continued**

**Reserved for scholarships**

	<u>Scholarships</u>
Kiwanis Scholarship	\$ 282
Lau Scholarship	3,213
Lockwood Scholarship	9,816
Martinelli Scholarship	1
McCollum Scholarship	3,160
McPherson-Hanson Scholarship	133
Mitchell Scholarship	146
Moberly Scholarship	4,777
Newhall Scholarship	18,476
Prince Scholarship	48,560
Rohm Scholarship	56
Sodexo Scholarship	139
Souza Scholarship	10,776
Thompson Scholarship	(242)
Yagi Scholarship	6,001
Total Net Position Reserved for Scholarships	<u>\$ 1,497,522</u>

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Acker Scholarship</u>	<u>Alvernaz Scholarship</u>	<u>Beal Scholarship</u>	<u>Callister Scholarship</u>	<u>Cavaiani Scholarship</u>
<b>ADDITIONS</b>					
Trust income	\$ -	\$ -	\$ 500	\$ -	\$ -
Contributions	-	-	-	-	-
Interest income	24	18	10	2	14
<b>Total Additions</b>	<u>24</u>	<u>18</u>	<u>510</u>	<u>2</u>	<u>14</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	500	-	-	-	-
Miscellaneous	-	-	-	-	250
<b>Total Deductions</b>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
<b>Change in Net Position</b>	(476)	18	510	2	(236)
<b>Net Position - Beginning</b>	<u>27,612</u>	<u>20,195</u>	<u>10,682</u>	<u>3,046</u>	<u>10,366</u>
<b>Net Position - Ending</b>	<u>\$ 27,136</u>	<u>\$ 20,213</u>	<u>\$ 11,192</u>	<u>\$ 3,048</u>	<u>\$ 10,130</u>

See accompanying note to supplementary information.

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<u>Chamberlain Scholarship</u>	<u>Cruikshank Scholarship</u>	<u>Landram Scholarship</u>	<u>Montano Scholarship</u>	<u>Mudd Scholarship</u>	<u>Okuda Scholarship</u>	<u>Roberts Scholarship</u>
\$ 2,470	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
14	13	23	5	19	9	1
<u>2,484</u>	<u>63</u>	<u>23</u>	<u>5</u>	<u>19</u>	<u>9</u>	<u>1</u>
7,000	200	-	600	-	-	-
-	-	-	-	-	-	-
<u>7,000</u>	<u>200</u>	<u>-</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>
(4,516)	(137)	23	(595)	19	9	1
<u>24,201</u>	<u>14,205</u>	<u>26,171</u>	<u>6,082</u>	<u>21,116</u>	<u>10,253</u>	<u>9,280</u>
<u>\$ 19,685</u>	<u>\$ 14,068</u>	<u>\$ 26,194</u>	<u>\$ 5,487</u>	<u>\$ 21,135</u>	<u>\$ 10,262</u>	<u>\$ 9,281</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	Roveto Scholarship	Weimer Scholarship	Total Non-Expendable Scholarships
<b>ADDITIONS</b>			
Trust income	\$ -	\$ 10,000	\$ 13,020
Contributions	-	-	-
Interest income	720	27	899
<b>Total Additions</b>	<u>720</u>	<u>10,027</u>	<u>13,919</u>
<b>DEDUCTIONS</b>			
Scholarships awarded	11,000	1,250	20,550
Miscellaneous	-	1	251
<b>Total Deductions</b>	<u>11,000</u>	<u>1,251</u>	<u>20,801</u>
<b>Change in Net Position</b>	(10,280)	8,776	(6,882)
<b>Net Position - Beginning</b>	<u>141,666</u>	<u>34,052</u>	<u>358,927</u>
<b>Net Position - Ending</b>	<u>\$ 131,386</u>	<u>\$ 42,828</u>	<u>\$ 352,045</u>

See accompanying note to supplementary information.

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

	AARP Scholarship	Barnes Scholarship	Bloss Scholarship	Brewer, James Scholarship	Brewer, Pamela Scholarship
<b>ADDITIONS</b>					
Trust income	\$ -	\$ 1,000	\$ 479,214	\$ 500	\$ 500
Contributions	-	-	3,156	-	-
Interest income	1	15	1,496	51	84
<b>Total Additions</b>	<u>1</u>	<u>1,015</u>	<u>483,866</u>	<u>551</u>	<u>584</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	-	1,000	518,863	500	500
Miscellaneous	-	-	24	-	-
<b>Total Deductions</b>	<u>-</u>	<u>1,000</u>	<u>518,887</u>	<u>500</u>	<u>500</u>
<b>Change in Net Position</b>	1	15	(35,021)	51	84
<b>Net Position - Beginning</b>	<u>503</u>	<u>17,570</u>	<u>817,137</u>	<u>18,205</u>	<u>17,201</u>
<b>Net Position - Ending</b>	<u>\$ 504</u>	<u>\$ 17,585</u>	<u>\$ 782,116</u>	<u>\$ 18,256</u>	<u>\$ 17,285</u>

See accompanying note to supplementary information.

<u>Broussard Scholarship</u>	<u>Brown Scholarship</u>	<u>Church Scholarship</u>	<u>Crookham Scholarship</u>	<u>Dallas Scholarship</u>	<u>Dibblee, Al &amp; IIABMMC Scholarship</u>	<u>Ed Dimsey Scholarship</u>
\$ -	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,300	-	1,000
1	6	10	-	1	22	-
<u>1</u>	<u>6</u>	<u>810</u>	<u>-</u>	<u>1,301</u>	<u>22</u>	<u>1,000</u>
500	4,625	200	-	-	-	-
-	-	-	-	-	-	-
<u>500</u>	<u>4,625</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(499)	(4,619)	610	-	1,301	22	1,000
<u>2,038</u>	<u>11,558</u>	<u>10,014</u>	<u>142</u>	<u>(6)</u>	<u>31,565</u>	<u>-</u>
<u>\$ 1,539</u>	<u>\$ 6,939</u>	<u>\$ 10,624</u>	<u>\$ 142</u>	<u>\$ 1,295</u>	<u>\$ 31,587</u>	<u>\$ 1,000</u>



**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
 COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued  
 FOR THE YEAR ENDED JUNE 30, 2017**

	Fancher Scholarship	Fite Scholarship	Gear Up Scholarship	Granado Scholarship	Jackson Scholarship
<b>ADDITIONS</b>					
Trust income	\$ 85,382	\$ -	\$ -	\$ 500	\$ -
Contributions	3,289	-	-	125	-
Interest income	92	-	-	1	3
<b>Total Additions</b>	<u>88,763</u>	<u>-</u>	<u>-</u>	<u>626</u>	<u>3</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	97,885	-	-	325	-
Miscellaneous	-	-	-	-	-
<b>Total Deductions</b>	<u>97,885</u>	<u>-</u>	<u>-</u>	<u>325</u>	<u>-</u>
<b>Change in Net Position</b>	(9,122)	-	-	301	3
<b>Net Position - Beginning</b>	<u>154,033</u>	<u>386</u>	<u>6</u>	<u>2,454</u>	<u>3,140</u>
<b>Net Position - Ending</b>	<u>\$ 144,911</u>	<u>\$ 386</u>	<u>\$ 6</u>	<u>\$ 2,755</u>	<u>\$ 3,143</u>

See accompanying note to supplementary information.

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Joyner Scholarship	Kiwanis Scholarship	Lau Scholarship	Lockwood Scholarship	Martinelli Scholarship	McCollum Scholarship	McPherson- Hanson Scholarship
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1	-	2	9	-	3	-
<u>1</u>	<u>-</u>	<u>2</u>	<u>9</u>	<u>-</u>	<u>3</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1	-	2	9	-	3	-
109	282	3,211	9,807	1	3,157	133
<u>110</u>	<u>282</u>	<u>3,213</u>	<u>9,816</u>	<u>1</u>	<u>3,160</u>	<u>133</u>

**MERCED UNION HIGH SCHOOL DISTRICT**

**PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Mitchell Scholarship</u>	<u>Moberly Scholarship</u>	<u>Newhall Scholarship</u>	<u>Prince Scholarship</u>	<u>Rohm Scholarship</u>
<b>ADDITIONS</b>					
Trust income	\$ -	\$ -	\$ -	\$ 2,733	\$ -
Contributions	-	-	-	93	-
Interest income	-	4	17	265	-
<b>Total Additions</b>	<u>-</u>	<u>4</u>	<u>17</u>	<u>3,091</u>	<u>-</u>
<b>DEDUCTIONS</b>					
Scholarships awarded	-	200	2,000	9,500	-
Miscellaneous	-	-	-	-	-
<b>Total Deductions</b>	<u>-</u>	<u>200</u>	<u>2,000</u>	<u>9,500</u>	<u>-</u>
<b>Change in Net Position</b>	-	(196)	(1,983)	(6,409)	-
<b>Net Position - Beginning</b>	<u>146</u>	<u>4,973</u>	<u>20,459</u>	<u>54,969</u>	<u>56</u>
<b>Net Position - Ending</b>	<u>\$ 146</u>	<u>\$ 4,777</u>	<u>\$ 18,476</u>	<u>\$ 48,560</u>	<u>\$ 56</u>

See accompanying note to supplementary information.

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<u>Sodexo Scholarship</u>	<u>Souza Scholarship</u>	<u>Thompson Scholarship</u>	<u>Yagi Scholarship</u>	<u>Total Expendable Scholarships</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 150	\$ -	\$ -	\$ 570,779	\$ 583,799
-	-	-	-	8,963	8,963
-	9	(1)	5	2,097	2,996
<u>-</u>	<u>159</u>	<u>(1)</u>	<u>5</u>	<u>581,839</u>	<u>595,758</u>
-	250	-	1,000	637,348	657,898
-	-	-	-	24	275
<u>-</u>	<u>250</u>	<u>-</u>	<u>1,000</u>	<u>637,372</u>	<u>658,173</u>
-	(91)	(1)	(995)	(55,533)	(62,415)
<u>139</u>	<u>10,867</u>	<u>(241)</u>	<u>6,996</u>	<u>1,201,010</u>	<u>1,559,937</u>
<u>\$ 139</u>	<u>\$ 10,776</u>	<u>\$ (242)</u>	<u>\$ 6,001</u>	<u>\$ 1,145,477</u>	<u>\$ 1,497,522</u>

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the Federal subsidy received by the District that is not reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 12,754,148
Reconciling items:		
Qualified School Construction Bonds Subsidy	N/A	(1,492,213)
Total Schedule of Expenditures of Federal Awards		<u>\$ 11,261,935</u>

#### Local Education Agency Organization Structure

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

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

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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

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

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

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

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

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

### **Private Purpose Scholarship Trust Funds – Combining Statement of Net Position and Combining Statement of Changes in Net Position**

These statements are included to provide additional information regarding the individual scholarship trust funds. Following is a description of the purpose and requirements for each of the scholarships.

#### **Jim Acker Memorial Scholarship**

This scholarship has been established in honor of Jim Acker who graduated from Merced High School in 1971, by the Jim Acker Memorial Scholarship Committee, to provide a scholarship for graduating seniors from Merced High School attending a two or four year college. Recipient of this scholarship will be selected by the Jim Acker Memorial Scholarship Committee based on citizenship, GPA of 3.0 or higher and participating in athletics.

#### **John L. Alvernaz, Jr. Scholarship**

The scholarship is established from the Estate of John L. Alvernaz, Jr. to be awarded to students from Merced Union High School District. No other criteria has been specified for determining eligibility for this scholarship.

#### **Steven O. Beal Memorial Scholarship**

This scholarship is established in the memory of Steven O. Beal, a former teacher of Industrial Arts in the Merced Union High School District, for eligible Industrial Arts Drafting students planning to attend a two or four-year accredited college or university. If no Industrial Arts Drafting students apply, the scholarship may be granted to any other deserving Industrial Arts student. The student must have a cumulative GPA of no less than 2.75 for the first seven semesters of high school. The awards are to be in increments of \$500 from any amount over the \$10,000 principle. This scholarship is non-renewable.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

---

### **Eldon J. Callister Memorial Scholarship**

This scholarship is established in honor of Eldon J. Callister to provide a scholarship each year to a student of Merced Union High School District who enrolls as a full time student at either Brigham Young University or Utah State University. An award is given annually if a graduating senior qualifies.

### **Ugo Cavaiani Scholarship**

This scholarship has been set up per the request of Ugo Cavaiani to award scholarships to Livingston High School graduates aspiring to be nurses.

### **Chamberlain Scholarship**

This scholarship was established by Naomi R. Chamberlain to provide annual scholarships to worthy graduates of Merced High School District. The following requirements are to be met by the District in managing the Chamberlain Scholarship:

- The principal shall remain intact in the Trust and the income only would be distributed to worthy students.
- Scholarships are to be awarded once per year in early May or in the spring semester.
- The number of scholarships is dependent upon the amount of interest or income generated from the fund.
- Approximately one-half of the scholarships are to be awarded to students whose goal is to attend a two-year junior or community college and the remaining awarded to students whose goal is to attend a four-year college.
- Scholarships are to be awarded to students with a 3.0 GPA or better during their attendance at Merced High School.
- Consideration should be given to provide for automatic renewal for any student in continuous enrollment, up to four years at any college or university of his or her choice, as long as the student maintains a 3.0 or higher GPA.

### **Herbert H. Cruikshank Scholarship**

This scholarship was established in honor of Herbert H. Cruikshank. The amount of the scholarship awarded annually will be the amount generated by interest only. No amount of principal shall be part of the scholarship. If no student is awarded the scholarship in a given year, the amount will carry over to the following year, thus making the scholarship amount equivalent to two years. Guidelines for the recipient are as follows:

- Student must attend an accredited community college or a four year college.
- Student must have a record of participating in an extracurricular school activity, club or community service project.
- Student must have graduated from Golden Valley High School and have a 3.0 + GPA.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### **Hugh K. Landram Memorial Scholarship**

This scholarship fund is established in honor of Hugh K. Landram to provide for scholarships to be awarded to deserving students for their future education in an accredited college or university in the State of California.

### **John P. Montano Memorial Scholarship**

This Scholarship is established in honor of John P. Montano, a former Physical Education teacher and coach in the Merced Union High School District. It provides scholarships to eligible students who competed in a varsity sport for a minimum of one season and are planning to attend a two- or four-year college or an accredited vocational school. The student must have a cumulative GPA of no less than 2.5 for the first seven semesters of high school. The awards are to be in increments of \$600 from any amount over the \$3,255 principal. This scholarship is non-renewable.

### **Jay Leroy Mudd Scholarship**

This scholarship is established from the Estate of Jay Leroy Mudd. The corpus shall not be impaired, but the interest shall be paid, by way of scholarships, to students from Merced Union High School for the purpose of obtaining a college education. A board consisting of the President of Merced City Chamber of Commerce, the President of Merced Rotary club, the Senior Warden of F. & A.M. Lodge #99 of Merced, and the Master of F. & A.M. Lodge #749 of Merced shall have the exclusive right to select the recipients.

### **Okuda Memorial Scholarship**

This scholarship has been established by Franklin Okuda in memory of his son Calvin Okuda. The scholarship has a balance of over \$10,000. This is a perpetual scholarship with only the interest being awarded in the form of scholarships. The interest earned shall be split equally for two scholarships, to one male and one female graduate from Livingston High School that meet the following criteria.

- Scholarships are to be awarded to students with a 2.0 GPA or higher.
- Scholarships are to be awarded to students who are enrolled at a vocational school, community college, state college, or university.
- Scholarships are to be awarded to students who otherwise would not receive an award.

### **Donna Roberts Scholarship**

This scholarship has been set up per the request of Eugene E. Roberts to provide a scholarship each year for a graduating senior of Yosemite High School intending to enroll in a community college the subsequent fall semester. Recipient of this scholarship shall be selected by Mr. Ron DeWong or his successor under criteria established by Mr. Eugene E. Roberts.



# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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### **Rebecca Starr Roveto Scholarship**

This scholarship is established to provide scholarships for graduating seniors from Atwater High School or any new high school serving Atwater students who plan to attend an accredited four year college or university in increments of \$1,000 beginning in 1998. The awards to be given will be selected by the scholarship committee designated by the Merced Union High School District to applicants who have a minimum of 3.3 GPA (4.0 scale).

### **Walter Weimer Family/Livingston Rotary International Scholarship**

This scholarship has been established in honor of Walter Weimer, per the request of the Weimer Family, to provide a scholarship to a Livingston High School senior. Applicant to meet the following criteria: strong math and science or agricultural science, two or four year college (UC Merced preferred but no required), well-rounded student who participated in activities. Livingston High School site committee selects recipient. Award to be \$500 (non-renewable).

### **AARP Scholarship**

This scholarship was established by the Atwater AARP Chapter #2194 in the amount of \$9,000 to be distributed at the rate of \$1,000 per year for four scholarships, \$250 each, until the \$9,000 with its earnings has been depleted. The scholarships are to be awarded to two academic majors and two vocational majors for studies accordingly in college. The Atwater High School Scholarship Committee selects several possible academic and vocational recipients from the pool of Atwater High School Scholarship applicants and refers the names to AARP Chapter #2194 for screening and selection.

### **Richard Barnes Memorial Scholarship**

This scholarship was established by JoAnna Browning in the memory of Richard Barnes to provide scholarships for eligible student athletes of Atwater High School who graduate with a minimum 3.0 GPA. There will be one award recipient each year receiving \$500 if attending a two year college or \$1,000 if attending a four year college.

### **Christine Bloss Memorial Scholarship**

This scholarship is established in honor of Christine Bloss to provide scholarships for graduating seniors. It is awarded annually to students who attend a two-year or four-year college and are graduates of Merced High School, Atwater, Livingston, Yosemite, or the Adult School. The total amount awarded annually is determined by the Board of Trustees based on earnings from trust account and time certificates. Each campus receives a stipulated amount based on the number of graduates on a percentage basis. Each school determines the number of recipients and the amount of each award. Students must attend an accredited California college or university.

## MERCED UNION HIGH SCHOOL DISTRICT

### NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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#### **James Brewer Memorial Scholarship**

This scholarship has been established in honor of James W. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Science teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

#### **Pamela Brewer Scholarship**

This scholarship has been established in honor of Pamela K. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Social Studies or English teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

#### **Kiara Broussard Culinary Arts Scholarship**

This scholarship has been established in honor of Kiara Broussard, per the request of Jennifer Broussard, to provide a scholarship for a graduating senior of Golden Valley High School or Buhach Colony/Merced High School if Golden Valley has no candidates. Applicant majoring in Culinary Arts (San Francisco Culinary Academy preferred). Recipient will be selected by family of Kiara Broussard. No required activities, minimum GPA 3.0, \$500 award (amount may change).

#### **Brown Memorial Scholarship**

This scholarship was established to provide scholarships to Merced and Golden Valley High School graduating seniors planning to attend a two or four-year accredited college or university in increments of \$1,000 per year for four years or completion of undergraduate degree. Scholarships will be awarded to students with a 3.3 cumulative GPA. College students must have a cumulative 2.5 GPA to remain eligible.

#### **Church Scholarship**

This scholarship has been established by Mr. and Mrs. Dan Church. The Scholarship Fund has accumulated approximately \$10,000. The interest accrued each year will be awarded to a graduating Golden Valley High School male or female student athlete who has participated in at least one varsity sport and plans to attend Merced College.

#### **Sybil Nye Crookham Memorial Scholarship**

This scholarship is established in honor of Sybil Nye Crookham. The scholarship will be awarded to seniors at either Atwater or Buhach Colony High Schools with a GPA of at least 3.0. The \$250 scholarship will be awarded to one senior at each high school.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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### **Dallas Athletic Scholarship (Heart Award)**

This scholarship has been established at Atwater and Buhach Colony High Schools in the amounts of \$12,500 each. The \$1,000 scholarship will be awarded to a female athlete at each high school with a minimum GPA of 2.5 who has participated in athletics for a minimum of two years who will be enrolled in a two or four year college or vocational school.

### **Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties Scholarship**

This scholarship has been established by Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties. The \$500 scholarship will be awarded to two seniors on a rotating basis at Livingston and Buhach Colony High Schools in 2010, Atwater and Golden Valley High Schools in 2011, and Merced and Livingston High Schools in 2012. The two scholarships of \$500 will be awarded each year until the funds are depleted. When funds are reduced to less than \$500, the remaining balance will be the award. The applicants will need to meet the following criteria: Senior, Minimum GPA of 3.0, attend Merced College, business related major, and have a financial need. The Campus Site Scholarship Committees will select the recipient using the MUHSD Generic Scholarship application.

### **Edward Dimsey Memorial Scholarship**

This Scholarship is established in honor of Edward Dimsey. It provides scholarships to eligible students of Merced Adult School who completed a minimum of 100 hours of community service in Merced County within the preceding two years and are planning to attend a two or four-year college or an accredited vocational school. A committee consisting of present and former Merced Adult School staff and members of the Veterans of Foreign Wars Chapter in Atwater shall have the exclusive right to select the recipients.

### **Fred B. Fancher Scholarship**

This scholarship is established in honor of Fred B. Fancher. Scholarships are granted annually to qualified graduates of the Merced Union High School District who have demonstrated an interest in the broad field of agriculture and who wish to pursue a course of study, directly or indirectly, related to the field of agriculture. Students must attend either a two-year or a four-year accredited California university or college. The amount awarded each year depends upon the availability of funds. Applicants may reapply each year and receive a scholarship for up to a maximum of four years.

### **Carter Fite Memorial Scholarship**

This scholarship has been established in honor of Carter Fite. The scholarship awards began in the spring of 2002 and will be awarded until the funds are depleted. Scholarships in the amount of \$500 each will be awarded to two Atwater High School seniors pursuing a two or four year college degree and majoring in math or teaching (elementary or high school), preferably math teacher. A GPA of 3.0 or higher is required. Students may use the generic Merced Union High School District scholarship application. There are no financial need requirements. Atwater High School Scholarship Committee selects the recipients and the funds are distributed using the Bloss Scholarship guidelines. Staff will present the awards at the awards ceremony.

## MERCED UNION HIGH SCHOOL DISTRICT

### NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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#### **Gear Up Scholarship**

This scholarship has been established by the Gear Up Program. Awards of \$150, \$300, or \$500 will be given to students enrolled in the Gear Up Program at Atwater and Buhach High Schools. The awards will be based on how well the students did in the program.

#### **Mario Granado Memorial Scholarship**

This scholarship has been established in honor of Mario Granado, a former employee of Merced Union High School District, per the request of Cynthia Granado, to provide non-renewable scholarships to Livingston High School, Atwater High School, Buhach Colony High School, Merced High School and Golden Valley High School seniors with 2.0+ GPA. Applicants to meet any of the following criteria: pursuing a vocational program (priority), overcome obstacles or shown improvement, come from large family, participate in baseball or softball, complete 200+ hours of community service or plays a musical instrument. Awards to be \$1,000 at each campus.

#### **Betty B. Jackson Scholarship**

This scholarship has been established in honor of Betty B. Jackson, per the request of Lloyd Jackson, to provide a scholarship for the first year of college for a graduating senior of Merced High School enrolling in a junior college. Recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mr. Lloyd Jackson as follows:

- Financial need as determined by the Scholarship Committee.
- Minimum GPA of 2.0 based on last five semesters of high school grades.
- Selection cannot be made until after the Bloss and Smith Scholarships are selected.

#### **Joyner Scholarship**

This scholarship was established by the California Association of School Business Officials to be given in the name of Lydia L. Lobdell, in the amount of \$500 each year for ten years. The recipient will be selected from one high school in the District on a rotating basis. The selection will be made by a committee of business teachers at the site. The scholarship may be awarded without qualification to any graduate in need of assistance to continue their education.

#### **Livingston Kiwanis Club Scholarship**

This scholarship has been established by the Kiwanis Club of Livingston-Delhi for the purposes of awarding a yearly academic scholarship to a Livingston High School Student, beginning in 1993. The criteria is to be established by the Livingston High School Scholarship Committee.

#### **Karina Lau Memorial Scholarship**

This scholarship is established in honor of Karina Lau. The scholarship is to be awarded to a senior at Livingston High School who was involved in the music or theater program and will enroll in a two or four year college with a music or theater related degree. The scholarship will be \$1,000 a year for up to four years as long as the student continues with a music or theater major.

## MERCED UNION HIGH SCHOOL DISTRICT

### NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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#### **Lester L. Lockwood Memorial Scholarship**

This scholarship has been established in honor of Lester L. Lockwood with the approval of Janelle Lockwood. The Lester Lockwood Memorial Scholarship will be awarded each year to a graduating senior from Yosemite High School who plans to continue his/her education at Merced College, or the previous year's recipient who is currently enrolled at Merced College and has reapplied for the scholarship. The scholarship may be renewed one time only in the manner described above. A current college student who is reapplying will be given precedence. In the event there is no reapplication, a graduating senior from Yosemite High School will be chosen by the administration and staff at Yosemite High School.

#### **Angelo Martinelli Memorial Scholarship**

This scholarship is established in honor of Angelo Martinelli to provide scholarships to eligible Merced High School graduates. Scholarships in the amount of \$250 will be awarded to students who have received a cumulative GPA of at least 2.75 in high school, the student may attend an accredited two-year, four-year, or a vocational school, and the student will be approved by the Martinelli family. This scholarship is non-renewable.

#### **Karen McCollum Memorial Scholarship**

This scholarship was established in honor of Karen McCollum to provide a scholarship to an eligible student who attended the GED program at the Merced Adult School and is enrolling with a GPA of 2.0 or higher and at least six or more units of work at Merced Community College. The \$500 scholarship will be disbursed in two separate payments annually (August and December).

#### **Lucy McPherson-Hanson Memorial Scholarship**

This scholarship was established to provide annual scholarships preferably to an African American student, or other minority student, graduating from Merced High School with a minimum grade point average of 2.5. This scholarship is non-renewable.

#### **Herbert Mitchell Memorial Scholarship**

This scholarship has been established in honor of Herbert Mitchell by his widow, Mrs. Winnie Mitchell, to provide a \$200 scholarship to a deserving graduate of Merced High School. The recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mrs. Winnie Mitchell as follows:

- Financial need as determined by the Scholarship Committee.
- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

# MERCED UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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### **Sanford Moberly Memorial Scholarship**

This scholarship is established in memory of Sanford Moberly, an art teacher at Livingston High School. Each year an art student, selected by the Livingston High School Art Department, receives a \$200 award from this scholarship.

### **Henry Mayo Newhall Scholarship**

This scholarship was established by a gift from the Henry Mayo Foundation. A scholarship in the amount of \$8,000 is awarded to the outstanding graduate of Merced High School who will attend a four-year college. Applicant selection criteria is the same as for the Bloss Scholarship.

### **Clarence Earl Prince Scholarship**

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed from one year to the next.

### **Ryan M. Rohm Memorial Scholarship**

This scholarship is established in honor of Ryan Rohm to provide scholarships to eligible Golden Valley High School graduates. Three scholarships, in the amount of \$1,000 (\$500 per year for two years), will be awarded to approved students, to be eligible a student must have received a cumulative GPA of at least 3.0 in high school. This scholarship is non-renewable.

### **Sodexo Scholarship**

Sodexo School Services has established this scholarship which will total two \$500 scholarships a year for students wishing to continue their education beyond high school in a vocational area. The scholarship will be rotated between all District high schools beginning with Buhach Colony and Golden Valley. The scholarship will be awarded to one student at each of the two high schools with at least a 2.5 GPA.

### **Crystal Souza Memorial Scholarship**

This scholarship is established in honor of Crystal Souza. The scholarship is to be awarded to seniors at Livingston High School and will total \$250 a year for two students. Each \$250 scholarship will be awarded to one agriculture major and one nursing major. The students must be attending Merced College.

### **Bob Thompson Rotary Scholarship**

This scholarship has been established by Bob Thompson. The scholarship will be awarded to a Livingston High School Senior who is pursuing a vocational degree or certificate. The award amount will be \$500 per year and the recipient will be selected by the Livingston High School Site Committee.

## **MERCED UNION HIGH SCHOOL DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017**

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#### **George Yagi Memorial Scholarship**

This scholarship has been established in honor of George Yagi, per the request of Floy Yagi, to provide a scholarship to a Livingston High School senior who intends to attend a two or four year college. Applicant to meet the following criteria: major in agriculture or related field, participation in FFA, minimum GPA of 3.0. Livingston High School site committee selects recipient. Award to be \$1,000 for a four year college or \$500 for a two year college.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Merced Union High School District  
Merced, 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 Merced Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Merced Union High School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Merced Union High 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 Merced Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Merced Union High School District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Merced Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Merced Union High School District in a separate letter dated December 12, 2017.

## **Purpose of This Report**

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

*Varrink, Trine, Day & Co., LLP*

Fresno, California  
December 12, 2017



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

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

Governing Board  
Merced Union High School District  
Merced, California

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

We have audited Merced Union High 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 Merced Union High School District's (the District) major Federal programs for the year ended June 30, 2017. Merced Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Merced Union High 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 Merced Union High 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 Merced Union High School District's compliance.

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

In our opinion, Merced Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Merced Union High 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 Merced Union High 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 Merced Union High School District's internal control over compliance.

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

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

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

*Varrink, Trine, Day & Co., LLP*

Fresno, California  
December 12, 2017



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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Merced Union High School District  
Merced, California

### **Report on State Compliance**

We have audited Merced Union High School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Merced Union High School District's State government programs as noted below for the year ended June 30, 2017.

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

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

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

Our responsibility is to express an opinion on compliance of each of the Merced Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Merced Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Merced Union High School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Merced Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

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

The District has only grades 9 - 12; therefore, we did not perform procedures related to Kindergarten Continuance.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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

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

The District has only grades 9 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform procedures for the After School Education and Safety Program because the District does not offer the program.

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

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

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 12, 2017

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

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**MERCED UNION HIGH SCHOOL DISTRICT**

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

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>Special Education, Basic Local Assistance</u>
<u>84.027A</u>	<u>Special Education, Mental Health Services</u>
<u>84.287</u>	<u>Title IV - Part B, 21st Century Community Learning</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**MERCED UNION HIGH SCHOOL DISTRICT**

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

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None reported.

**MERCED UNION HIGH SCHOOL DISTRICT**

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

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None reported.

**MERCED UNION HIGH SCHOOL DISTRICT**

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

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None reported.

**MERCED UNION HIGH SCHOOL DISTRICT**

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

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



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

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Governing Board  
Merced Union High School District  
Merced, California

In planning and performing our audit of the financial statements of Merced Union High School District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2017, on the government-wide financial statements of the District.

#### ***DISTRICT OFFICE***

##### ***Credit Cards***

##### **Observation**

During our examination of expenditures we discovered the District had issued credit cards to multiple site administrators, however we were only able to confirm board approval for the card issued to Superintendent V. Scott Scambray. In addition, we noted several purchases which were not consistent with the District's procurement and credit card usage policies including purchases for facility repair items and membership subscriptions. These types of expenditures should be processed through the District Office and follow the established purchase requisition process rather than utilizing the credit card which is intended for emergency purchases only.

##### **Recommendation**

The District should take steps to confirm only Board approved employees hold credit cards issued in the District's name. Furthermore, District cardholders should be familiar and adhere to the District's credit card policy. Expenditures that do not meet the credit card usage policy should be made through the District's established procurement process to ensure proper internal controls are followed.

***ATWATER HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

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

**Recommendation**

Prenumbered receipts should be issued for all collections by teacher and advisors which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in.

***BUHACH COLONY HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

During the audit of the cash receipts system, we discovered teachers/advisors are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by whom. Without this supporting documentation we cannot determine if deposits are intact or if the teachers/advisors are forwarding funds to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the funds turned in, the bookkeeper cannot reconcile the funds back to any documentation to determine the accuracy of the cash count sheet and the actual funds turned in.

**Recommendation**

The site should maintain sub-receipt books in addition to the ASB's primary receipt book. These sub-receipt books would be given to teachers/advisors when they are conducting fundraising activities. Prenumbered receipts should be issued, or a classroom roster should be completed, for all collections by teachers which should include a specific description of the source of the funds. A carbon of the receipts issued, or a copy of the completed roster by the teachers/advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in.

***Inventory***

**Observation**

During our audit, we discovered items for sale did not have regular inventory counts. When inventory is not tracked and reconciled to sales made, it is impossible to determine if all funds was received for products sold.

### **Recommendation**

Whenever items are purchased in bulk to be sold at a later date, a process must be in place to track items on hand, items sold, and to reconcile inventory to the amount of revenue received. The software used by the bookkeeper does have an inventory module that can be used for this but it is not being utilized. The site should review this module and update the information to accurately track the items that are available for sale to ensure inventory and revenue are accounted for. Quarterly blind inventory counts should be performed and compared to the "on hand" quantity reported by the software. Any discrepancies noted should be documented and sufficiently explained.

Inventory for concession stand items should be tracked when the stand is open and the calculated ending inventory should be compared to what is still on hand. In doing so, the operator of the stand and the ASB bookkeeper can verify that all items and revenue were accounted for.

### ***Prohibited Expenditures***

#### **Observation**

We discovered student body funds were donated to a person "in need". According to the *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at [www.fcmat.org](http://www.fcmat.org), "Donations to nonprofit organizations and students or families in need usually are not allowable because they are considered a gift of public funds, no matter how worthy the cause. ASB funds are legally considered public funds because they are raised through the district's tax identification number and under its nontaxable status."

#### **Recommendation**

The Student Body and Clubs should not donate funds to organizations and students or families in need.

### ***Revenue Potentials***

#### **Observation**

Revenue potential forms are not consistently completed in full to document and control fundraising activities as they occur. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

#### **Recommendation**

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

- **Potential Income**-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from the fundraiser if all the items were sold and all the funds were turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks cost so profits can be determined.



- Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor from the bookkeeper, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure all postings were correct.
- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
- Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

### ***EL CAPITAN HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

#### ***Cash Receipts***

##### **Observation**

While auditing the cash receipts system we noted the Pacific Club receipts were not correctly counted with a 35 difference. Auditor also noted that the Water Polo receipt had a \$100 difference.

##### **Recommendation**

Upon receipt of the cash and sub-receipts or log, the bookkeeper should verify the information and ensure that the sub-receipts sum to the correct amount that is reported on the sales sheet.

#### ***Prohibited Expenditures***

##### **Observation**

During the audit, we found three prohibited expenditures. The first prohibited expenditure was for a conference that where two advisors were paid for but only one was required. The second prohibited expenditure was made for the purchase of gift baskets for board members. The third prohibited expenditure was for gift cards used as incentives but they had no log or supporting documentation for the gift cards. These items were not for the general welfare of the students.

##### **Recommendation**

The site should review the cash disbursement procedures outlined in the *Accounting and Procedures for Student Organization* manual prepared by the California Department of Education or the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at [www.fcma.org](http://www.fcma.org). All expenditures should be approved only if the purchased item is for the general welfare and benefit of the students. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures.

### ***Cash Disbursements***

#### **Observation**

During our audit of cash disbursement procedures, we found that not all disbursement requests had the appropriate purchase orders and some receipts were added to a purchase order. On one purchase order receipts from the previous year were added to the payments that were not approved.

#### **Recommendation**

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

### ***Ticket Sales***

#### **Observation**

During our audit we found that cash collected and counted for the event was not reconciled correctly. The ticket log sheet recorded \$200 in startup cash and the ticket sales recap showed \$300 in startup cash resulting in a \$100 discrepancy.

#### **Recommendation**

At the completion of the athletic event, the total number of tickets issued should be counted and recorded on a ticket sales form. The amount of cash collected should be compared to the ticket sales form. If the number of tickets sold does not equal the amount of cash collected the ticket taker should determine the reason for the cash overage or shortage immediately after the event. The ASB bookkeeper and ticket taker should make certain that the forms and cash collected reconcile.

### ***Student Store***

#### **Observation**

During our audit, we noted there is no record of the inventory maintained by the Pacific Club snack bar documenting the beginning inventory, purchases made to increasing inventory, the inventory used and the ending inventory. We also noted that purchases made through the cafeteria are not preapproved.

#### **Recommendation**

Without taking inventory the site is unable to determine if merchandise has been misplaced. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at [www.fcmat.org](http://www.fcmat.org), a physical inventory should be taken quarterly under the supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced. The June 30 inventory report would also be used in the preparation of the student bodies' financial statements.

***LIVINGSTON HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Deposits***

**Observation**

During our audit we noted that the Staff Coffee Shop sales deposits are not made in a timely manner. Deposits are made every two weeks and between deposits the cash is locked in the club advisor's desk.

**Recommendation**

To ensure that the deposits are properly safeguarded deposits should be made weekly and during weeks of increased sales multiple deposits may need to be made during the week. Locking the deposits over the weekend in a desk increases the chances of a misappropriation of the funds.

***Student Store, Staff Coffee Shop and Game Concessions***

**Observation**

During our audit, we noted the following deficiencies:

- There is no record of the inventory maintained by the clubs documenting the beginning inventory, purchases made to increasing inventory, the inventory used and the ending inventory.

**Recommendation**

Without taking inventory the site is unable to determine if merchandise has been misplaced. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at [www.fcmat.org](http://www.fcmat.org), a physical inventory should be taken quarterly under the supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced. The June 30 inventory report would also be used in the preparation of the student bodies' financial statements.

***Prohibited Purchases***

**Observation**

During our audit, we noted that when teachers and students go to Costco to purchase student store supplies, the students are treated to hot dogs, pizza, and drinks as a reward for helping out. While this practice is not material to the fiduciary, it is prohibited as it benefits a targeted segment of the Associated Student Body and without prior approval.

**Recommendation**

Do not use Associated Student Body funds to reward any segment of the Associated Student Body. Find non-financial means to express appreciation for assistance with day-to-day operations of the Associated Student Body and its enterprise endeavors.

Governing Board  
Merced Union High School District

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 12, 2017