

**JURUPA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2018**



JURUPA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Jurupa Unified School District
Jurupa Valley, 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 Jurupa Unified School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jurupa Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$23,629,928 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

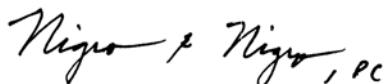
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements. The supplementary information on pages 67 to 73 and the schedule of expenditures of federal awards on page 74 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 66 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of the 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 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 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 the District's internal control over financial reporting and compliance.



Murrieta, California
October 16, 2018

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

This discussion and analysis of Jurupa Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities increased by approximately \$9.76 million.
- Governmental expenses were approximately \$250.75 million. Revenues were about \$260.5 million.
- The District spent nearly \$62.1 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by \$6.8 million.
- Grades K-12 average daily attendance (ADA) decreased by 122, or 0.7%.

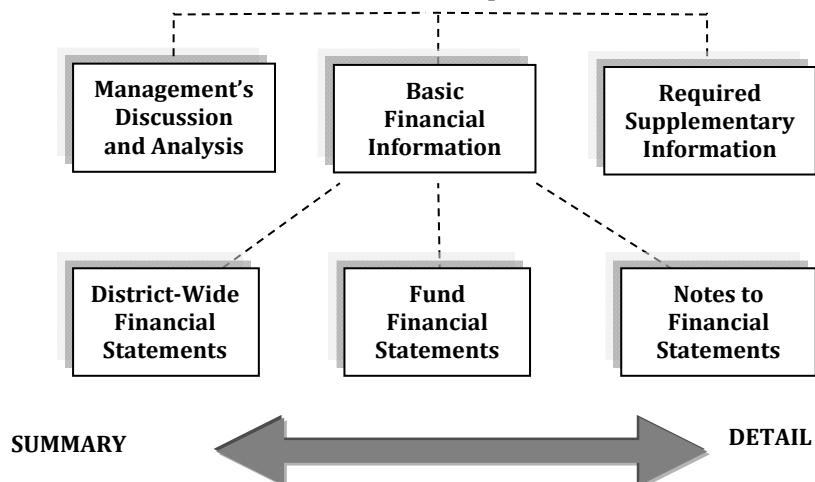
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Jurupa Unified School District's Annual Financial Report



JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for liability and property losses.

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

Fund Financial Statements (continued)

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2018, than it was the year before – increasing 41.2% to \$33.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2018	2017*	Increase (Decrease)
Assets			
Current assets	\$ 145,731,575	\$ 180,134,596	\$ (34,403,021)
Capital assets	337,366,595	283,417,973	53,948,622
Total assets	<u>483,098,170</u>	<u>463,552,569</u>	<u>19,545,601</u>
Deferred outflows of resources	<u>75,932,499</u>	<u>55,997,001</u>	<u>19,935,498</u>
Liabilities			
Current liabilities	25,603,939	18,715,893	6,888,046
Long-term liabilities	260,332,361	267,118,889	(6,786,528)
Net pension liability	231,345,069	200,127,931	31,217,138
Total liabilities	<u>517,281,369</u>	<u>485,962,713</u>	<u>31,318,656</u>
Deferred inflows of resources	<u>8,302,733</u>	<u>9,900,809</u>	<u>(1,598,076)</u>
Net position			
Net investment in capital assets	190,340,255	173,131,227	17,209,028
Restricted	48,599,750	45,760,682	2,839,068
Unrestricted	(205,493,438)	(195,205,861)	(10,287,577)
Total net position	<u>\$ 33,446,567</u>	<u>\$ 23,686,048</u>	<u>\$ 9,760,519</u>

* As restated

Changes in net position, governmental activities. The District's total revenues increased 1.3% to \$260.5 million (See Table A-2). The increase is due primarily to increases in other revenues, offset by decreases in charges for services and operating grants.

The total cost of all programs and services increased 6.8% to \$250.75 million. The District's expenses are predominantly related to educating and caring for students, 71.7%. The purely administrative activities of the District accounted for just 3.1% of total costs. A significant contributor to the increase in costs was increases in instruction-related costs.

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues:			
Charges for services	\$ 596,067	\$ 4,050,225	\$ (3,454,158)
Operating grants and contributions	38,000,004	43,381,469	(5,381,465)
Capital grants and contributions	13,216	7,333	5,883
General Revenues:			
Property taxes	43,722,011	40,944,215	2,777,796
Federal and state aid not restricted	163,980,404	163,344,240	636,164
Other general revenues	14,204,888	5,543,231	8,661,657
Total Revenues	260,516,590	257,270,713	3,245,877
Expenses			
Instruction-related	179,762,255	168,156,412	11,605,843
Pupil services	29,184,611	28,671,827	512,784
Administration	7,719,561	5,263,246	2,456,315
Plant services	22,844,134	22,106,747	737,387
All other activities	11,245,510	10,583,075	662,435
Total Expenses	250,756,071	234,781,307	15,974,764
Increase (decrease) in net position	\$ 9,760,519	\$ 22,489,406	\$ (12,728,887)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$122.8 million, which is below last year's ending fund balance of \$164.1 million. The primary cause of the decreased fund balance is increased expenditures in the Building Fund for Measure EE construction projects.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 23,918,084	\$ 230,315,403	\$ 222,842,164	\$ (7,151,829)	\$ 24,239,494
Special Reserve Fund for Other than Capital Outlay	-	190	-	1,901,006	1,901,196
Adult Education Fund	248,788	1,142,778	1,365,244	(1,400)	24,922
Child Development Fund	5,374	970,575	964,763	-	11,186
Cafeteria Fund	1,788,199	9,298,211	10,357,490	-	728,920
Building Fund	65,556,268	791,362	33,542,616	5,699,103	38,504,117
Capital Facilities Fund	7,557,493	(411,193)	262,586	-	6,883,714
County School Facilities Fund	912,170	13,217	-	-	925,387
Special Reserve Fund (Capital Outlay) Capital Outlay Fund for Blended Component Units	35,174,385	1,972,843	26,036,647	6,091,984	17,202,565
Bond Interest and Redemption Fund	9,507,168	333,395	-	4,438,549	14,279,112
Debt Service Fund	19,480,621	10,702,719	12,756,017	-	17,427,323
	-	-	698,762	1,329,318	630,556
	\$ 164,148,550	\$ 255,129,500	\$ 308,826,289	\$ 12,306,731	\$ 122,758,492

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$9.2 million primarily to reflect increased estimated federal and state budget actions.
- Expenditures – increased \$2.8 million mainly due to increased capital outlay costs.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$7.0 million, the actual results for the year show that revenues exceeded expenditures by roughly \$7.4 million. Actual revenues were \$4.5 million less than anticipated, but expenditures were \$4.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested \$62.1 million in new capital assets, related to the District's Measure EE bond program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$8.1 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Land	\$ 16,018,583	\$ 16,018,583	\$ -
Improvement of sites	9,639,280	6,761,729	2,877,551
Buildings	218,047,833	214,362,238	3,685,595
Equipment	9,670,973	8,448,252	1,222,721
Construction in progress	83,989,926	37,827,171	46,162,755
Total	\$ 337,366,595	\$ 283,417,973	\$ 53,948,622

The District is anticipating continued new construction and modernization projects.

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$260.3 million in long-term debt – a decrease of 2.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2018	2017*	
General obligation bonds	\$ 142,893,283	\$ 150,023,994	\$ (7,130,711)
Lease revenue bonds	32,513,961	32,481,248	32,713
Certificates of participation	4,560,000	5,070,000	(510,000)
Site lease agreement	1,095,000	1,435,000	(340,000)
Energy efficiency financing	25,388,772	26,796,104	(1,407,332)
Capital leases	370,168	200,337	169,831
Redevelopment agency	800,000	1,000,000	(200,000)
Compensated absences	2,940,322	2,853,704	86,618
Early retirement incentives	133,419	146,375	(12,956)
Other postemployment benefits	49,637,436	47,112,127	2,525,309
Total	\$ 260,332,361	\$ 267,118,889	(6,786,528)

* As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes \$15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the 2017-18 Budget Act level. The budget increases spending per student by \$579 (5.2%) over the 2017-18 Budget Act level, bringing Proposition 98 spending per student up to \$11,645.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

JURUPA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

All of these factors were considered in preparing the Jurupa Unified School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (951) 360-4157.

JURUPA UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Total Governmental Activities
ASSETS	
Cash	\$ 118,935,232
Investments	17,700,005
Accounts receivable	7,679,467
Inventories	155,173
Prepaid expenses	1,261,698
Non-depreciable assets	100,008,509
Depreciable assets	380,858,760
Less accumulated depreciation	<u>(143,500,674)</u>
Total assets	<u>483,098,170</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	651,437
Deferred outflows related to OPEB	1,078,075
Deferred outflows related to pensions	<u>74,202,987</u>
Total deferred outflows of resources	<u>75,932,499</u>
LIABILITIES	
Accounts payable	22,830,360
Unearned revenue	2,773,579
Long-term liabilities:	
Portion due or payable within one year	10,740,311
Portion due or payable after one year	249,592,050
Net pension liability	<u>231,345,069</u>
Total liabilities	<u>517,281,369</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>8,302,733</u>
NET POSITION	
Net investment in capital assets	190,340,255
Restricted for:	
Capital projects	25,642,222
Debt service	17,427,323
Categorical and nutrition programs	5,530,205
Unrestricted	<u>(205,493,438)</u>
Total net position	<u>\$ 33,446,567</u>

JURUPA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instructional Services:					
Instruction	\$ 153,765,801	\$ 132	\$ 19,742,827	\$ 13,216	\$ (134,009,626)
Instruction-Related Services:					
Supervision of instruction	9,129,438	(822)	2,620,585	-	(6,509,675)
Instructional library, media and technology	2,911,443	(1,284)	14,613	-	(2,898,114)
School site administration	13,955,573	62	411,796	-	(13,543,715)
Pupil Support Services:					
Home-to-school transportation	5,750,832	-	713	-	(5,750,119)
Food services	10,634,321	1,135,132	7,743,225	-	(1,755,964)
All other pupil services	12,799,458	-	2,424,275	-	(10,375,183)
General Administration Services:					
Data processing services	2,753,950	-	305	-	(2,753,645)
Other general administration	4,965,611	(1,105)	588,228	-	(4,378,488)
Plant services	22,844,134	(2,411)	33,265	-	(22,813,280)
Ancillary services	1,474,289	-	4,705	-	(1,469,584)
Community services	267	-	-	-	(267)
Enterprise activities	1,000,000	-	-	-	(1,000,000)
Interest on long-term debt	8,051,849	-	-	-	(8,051,849)
Other outgo	719,105	(533,637)	4,415,467	-	3,162,725
Total Governmental Activities	\$ 250,756,071	\$ 596,067	\$ 38,000,004	\$ 13,216	(212,146,784)
General Revenues:					
					43,722,011
					163,980,404
					464,083
					4,084
					13,736,721
					<u>221,907,303</u>
					<u>9,760,519</u>
					47,315,976
					<u>(23,629,928)</u>
					<u>23,686,048</u>
					<u>\$ 33,446,567</u>

JURUPA UNIFIED SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 34,779,929	\$ 41,198,838	\$ 15,687,528	\$ -	\$ 17,427,323	\$ 8,756,628	\$ 117,850,246
Investments	-	-	9,840	17,690,165	-	-	17,700,005
Accounts receivable	3,789,984	2,046,393	429,157	-	-	1,412,856	7,678,390
Due from other funds	1,504,160	1,204,011	3,080,625	-	-	1,393	5,790,189
Inventories	45,873	-	-	-	-	109,300	155,173
Prepaid expenditures	1,208,759	49,200	1,313	-	-	2,426	1,261,698
Total Assets	<u>\$ 41,328,705</u>	<u>\$ 44,498,442</u>	<u>\$ 19,208,463</u>	<u>\$ 17,690,165</u>	<u>\$ 17,427,323</u>	<u>\$ 10,282,603</u>	<u>\$ 150,435,701</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 11,663,945	\$ 5,994,241	\$ 2,005,898	\$ -	\$ -	\$ 212,134	\$ 19,876,218
Due to other funds	874,976	84	-	3,411,053	-	741,299	5,027,412
Unearned revenue	2,649,094	-	-	-	-	124,485	2,773,579
Total Liabilities	<u>15,188,015</u>	<u>5,994,325</u>	<u>2,005,898</u>	<u>3,411,053</u>	<u>-</u>	<u>1,077,918</u>	<u>27,677,209</u>
Fund Balances							
Nonspendable	1,279,632	49,200	1,313	-	-	111,726	1,441,871
Restricted	4,765,177	38,454,917	17,201,252	14,279,112	17,427,323	9,092,959	101,220,740
Assigned	13,046,029	-	-	-	-	-	13,046,029
Unassigned	7,049,852	-	-	-	-	-	7,049,852
Total Fund Balances	<u>26,140,690</u>	<u>38,504,117</u>	<u>17,202,565</u>	<u>14,279,112</u>	<u>17,427,323</u>	<u>9,204,685</u>	<u>122,758,492</u>
Total Liabilities and Fund Balances	<u>\$ 41,328,705</u>	<u>\$ 44,498,442</u>	<u>\$ 19,208,463</u>	<u>\$ 17,690,165</u>	<u>\$ 17,427,323</u>	<u>\$ 10,282,603</u>	<u>\$ 150,435,701</u>

JURUPA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2018

Total fund balances - governmental funds \$ 122,758,492

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

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	480,867,269	
Accumulated depreciation:	<u>(143,500,674)</u>	
Net:		337,366,595

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (2,641,710)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements they are recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 651,437

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	142,893,283	
Lease revenue bonds payable	32,513,961	
Certificates of participation payable	4,560,000	
Site lease agreement	1,095,000	
Energy efficiency financing	25,388,772	
Capital leases payable	370,168	
Redevelopment agency	800,000	
Compensated absences payable	2,940,322	
Early retirement incentives	133,419	
Other postemployment liabilities	<u>49,637,436</u>	
Total		(260,332,361)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (231,345,069)

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

Deferred outflows of resources	74,202,987
Deferred inflows of resources	(8,302,733)

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

Deferred outflows of resources	1,078,075
--------------------------------	-----------

Internal service funds are used to conduct certain activities for which costs are charged to other funds on full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

10,854

Total net position - governmental activities \$ 33,446,567

JURUPA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	\$ 185,775,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,775,279
Federal sources	12,033,549	-	-	-	-	7,751,956	19,785,505
Other state sources	20,598,428	-	-	-	67,844	2,508,412	23,174,684
Other local sources	11,908,337	791,362	1,972,843	333,395	10,634,875	753,220	26,394,032
Total Revenues	230,315,593	791,362	1,972,843	333,395	10,702,719	11,013,588	255,129,500
EXPENDITURES							
Current:							
Instructional Services:							
Instruction	147,530,560	-	-	-	-	1,633,286	149,163,846
Instruction-Related Services:							
Supervision of instruction	8,695,195	-	-	-	-	176,169	8,871,364
Instructional library, media and technology	2,364,829	-	-	-	-	-	2,364,829
School site administration	12,508,367	-	-	-	-	424,659	12,933,026
Pupil Support Services:							
Home-to-school transportation	5,195,979	-	-	-	-	-	5,195,979
Food services	161,106	-	-	-	-	9,821,905	9,983,011
All other pupil services	12,052,240	-	-	-	-	32,503	12,084,743
General Administration Services:							
Data processing services	2,508,583	-	-	-	-	-	2,508,583
Other general administration	5,445,291	-	-	-	-	36,026	5,481,317
Plant services	19,867,319	104,801	-	-	-	84,944	20,057,064
Ancillary services	1,332,949	-	-	-	-	-	1,332,949
Community services	3	-	-	-	-	-	3
Enterprise activities	1,000,000	-	-	-	-	-	1,000,000
Transfers of indirect costs	(393,915)	-	-	-	-	393,915	-
Capital Outlay	1,246,222	33,437,815	24,353,820	-	-	146,900	59,184,757
Intergovernmental Transfers	719,105	-	-	-	-	-	719,105
Debt Service:							
Principal	1,668,651	-	370,000	-	7,190,000	680,000	9,908,651
Interest	939,680	-	1,312,827	-	5,566,017	218,538	8,037,062
Total Expenditures	222,842,164	33,542,616	26,036,647	-	12,756,017	13,648,845	308,826,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,473,429	(32,751,254)	(24,063,804)	333,395	(2,053,298)	(2,635,257)	(53,696,789)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	1,400	2,683,463	4,728,064	-	-	1,329,318	8,742,245
Interfund transfers out	(5,683,373)	-	(1,329,318)	(1,728,154)	-	(1,400)	(8,742,245)
Issuance of debt - capital leases	431,150	-	-	-	-	-	431,150
Issuance of non-obligatory debt	-	3,015,640	2,693,238	6,166,703	-	-	11,875,581
Total Other Financing Sources and Uses	(5,250,823)	5,699,103	6,091,984	4,438,549	-	1,327,918	12,306,731
Net Change in Fund Balances	2,222,606	(27,052,151)	(17,971,820)	4,771,944	(2,053,298)	(1,307,339)	(41,390,058)
Fund Balances, July 1, 2017	23,918,084	65,556,268	35,174,385	9,507,168	19,480,621	10,512,024	164,148,550
Fund Balances, June 30, 2018	\$ 26,140,690	\$ 38,504,117	\$ 17,202,565	\$ 14,279,112	\$ 17,427,323	\$ 9,204,685	\$ 122,758,492

JURUPA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds \$ (41,390,058)

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

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	62,080,640	
Depreciation expense	(8,132,018)	
Net:		53,948,622

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 9,908,651

The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was: (431,150)

In governmental funds, if debt is issued at a premium or at a discount the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premiums for the period is: 731,829

In the governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period is: 161,913

In the statement of activities, certain operating expenses - compensated absences, for example, 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, vacation leave earned exceeded the amounts used by: (86,618)

In governmental funds, pension costs are recognized when employer contributions are made, in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between the accrual basis pension costs and actual employer contributions was: (10,676,941)

In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (1,447,234)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time and structured legal settlements. This year, expenses incurred for such obligations were: 12,956

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (62,922)

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. The amount amortized to deferred amounts in the current year was: (84,698)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as an interest expense for the period. (823,831)

Change in net position of governmental activities \$ 9,760,519

JURUPA UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS	
Cash	\$ 1,084,986
Accounts receivable	<u>1,077</u>
Total assets	<u>1,086,063</u>
LIABILITIES	
Accounts payable	6,474
Due to other funds	762,777
Estimated claims liability	<u>305,958</u>
Total liabilities	<u>1,075,209</u>
NET POSITION	
Restricted	<u><u>\$ 10,854</u></u>

JURUPA UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018*

	Governmental Activities
	<u>Internal Service Fund</u>
OPERATING REVENUES	
In-District premiums	<u>\$ 1,000,000</u>
OPERATING EXPENSES	
Payments for claims and other operating expenses	<u>1,069,495</u>
Operating Income (Loss)	(69,495)
NON-OPERATING REVENUE	
Interest income	<u>6,573</u>
Change in net position	(62,922)
Net Position, July 1, 2017	<u>73,776</u>
Net Position, June 30, 2018	<u><u>\$ 10,854</u></u>

JURUPA UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from self-insurance premiums	\$ 1,000,000
Cash received from other local sources	73,855
Cash paid for operating expenses	<u>(528,823)</u>
Net cash provided (used) by operating activities	545,032
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>7,038</u>
Net increase in cash	552,070
Cash, July 1, 2017	<u>532,916</u>
Cash, June 30, 2018	<u><u>\$ 1,084,986</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (69,495)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	73,855
Increase in accounts payable and estimated claims liability	<u>540,672</u>
Net cash provided (used) by operating activities	<u><u>\$ 545,032</u></u>

JURUPA UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds		Trust Fund
	Student Body Funds	Debt Service Funds for Special Tax Bonds	Private-Purpose Trust Fund
ASSETS			
Cash	\$ 684,394	\$ -	\$ 50,630
Investments	-	9,348,429	-
Accounts receivable	-	-	233
Inventories	49,420	-	-
Total assets	<u>\$ 733,814</u>	<u>\$ 9,348,429</u>	<u>50,863</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	3,505
Due to student groups	733,814	-	-
Due to bondholders	-	9,348,429	-
Total liabilities	<u>\$ 733,814</u>	<u>\$ 9,348,429</u>	<u>3,505</u>
NET POSITION			
Temporarily Restricted			<u>\$ 47,358</u>

JURUPA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Private-Purpose Trust Fund
ADDITIONS	
Interest	\$ 677
Other local sources	21,625
Total additions	<u>22,302</u>
DEDUCTIONS	
Materials and supplies	5,148
Other services & operating expenses	22,773
Total deductions	<u>27,921</u>
Change in net position	(5,619)
Net position, July 1, 2017	<u>52,977</u>
Net position, June 30, 2018	<u><u>\$ 47,358</u></u>

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jurupa Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, 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, and agencies that are not legally separate from the District. For Jurupa Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Jurupa School Facilities Corporation's (the "Corporation") financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Jurupa Unified School District Community Facilities District's (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other than Capital Outlay. This fund does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue funds under GASB 54, the activity in this fund is being reported within the General Fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and bond anticipation notes.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

Capital Projects Funds for Blended Component Units: This fund is used to account for the activity of the Community Facilities Districts.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources related to the District's adult education programs.

Child Development Fund: This fund is used to account for resources related to child development programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Debt Service Funds:

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment of, certificates of participation issued for the District.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in Net Position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to account for resources committed to the District's self-insured property and liability insurance program.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

Debt Service Fund for Special Tax Bonds: This fund is used to account for the accumulation of resources for, and the repayment, of Community Facility District bonds, interest and related costs.

Private-Purpose Trust Fund: This fund is used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains one such fund to account separately for gifts or bequests per *Education Code* Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. 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 been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

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

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. 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 combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. 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 District’s California State Teachers Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District’s highest decision-making level of authority rests with the District’s Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

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.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

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

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

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
4. 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.

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018 are reported at fair value and consisted of the following:

	Rating	Governmental Activities			Fiduciary Funds
		Governmental Funds	Proprietary Fund	Total	
Pooled Funds:					
Cash in County Treasury		\$ 117,065,855	\$ 976,522	\$ 118,042,377	\$ 50,630
Deposits:					
Cash on hand and in banks		759,391	108,464	867,855	684,394
Cash in revolving fund		25,000	-	25,000	-
Total Deposits		784,391	108,464	892,855	684,394
Total Cash		\$ 117,850,246	\$ 1,084,986	\$ 118,935,232	\$ 735,024
Investments:					
Invesco Short-Term Investments Trust Treasury Portfolio	AAAm	\$ 17,019,747	\$ -	\$ 17,019,747	\$ 9,348,429
U.S. Bank - Money Market	N/A	680,258	-	680,258	-
Total Investments		\$ 17,700,005	\$ -	\$ 17,700,005	\$ 9,348,429

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 agencies.

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

As of June 30, 2018, \$377,264 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Board recognizes that the chief fiscal officer has fiduciary responsibility for any funds invested outside the county treasury and is subject to prudent investor standards for investment decisions. The investment objectives are to first safeguard the principal of the funds, then to meet liquidity needs, and third to achieve a return on the funds. Maturities of investments held at June 30, 2018 consist of the following:

	Fair Value	Maturity		Fair Value Measurement
		Less Than One Year	One Year Through Five Years	
Investment maturities:				
Invesco Short-Term Investments Trust Treasury Portfolio	\$ 26,368,176	\$ 26,368,176	\$ -	Level 2
U.S. Bank - Money Market	680,258	680,258	-	Level 2
Total Investments	<u>\$ 27,048,434</u>	<u>\$ 27,048,434</u>	<u>\$ -</u>	

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2018, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had the following investments that represent more than five percent of the District's net investments.

Invesco Short-Term Investments Trust Treasury Portfolio	97.5%
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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.

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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 date 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 Riverside County Treasury Investment Pool are not measured using the input levels above because the District’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds	Fiduciary Funds
Federal Government:							
Categorical aid programs	\$ 641,534	\$ -	\$ -	\$ 1,008,785	\$ 1,650,319	\$ -	\$ -
State Government:							
Lottery	806,482	-	-	-	806,482	-	-
Child nutrition	-	-	-	67,938	67,938	-	-
Special education	274,630	-	-	-	274,630	-	-
Other state resources	332,824	-	-	241,289	574,113	-	-
Local:							
Special education	1,180,260	-	-	-	1,180,260	-	-
Interest	84,071	192,588	53,299	46,209	376,167	1,077	233
Other	469,993	1,853,805	375,858	48,825	2,748,481	-	-
Total	\$ 3,789,794	\$ 2,046,393	\$ 429,157	\$ 1,413,046	\$ 7,678,390	\$ 1,077	\$ 233

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

	Due From Other Funds				Total
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 873,583	\$ 1,393	\$ 874,976
Building Fund	84	-	-	-	84
Capital Projects Fund for Blended Component Units	-	1,204,011	2,207,042	-	3,411,053
Non-Major Governmental Funds	741,299	-	-	-	741,299
Self-Insurance Fund	762,777	-	-	-	762,777
Total	\$ 1,504,160	\$ 1,204,011	\$ 3,080,625	\$ 1,393	\$ 5,790,189

Adult Education Fund due to General Fund for repayment of temporary loan and other miscellaneous charges	\$ 27,141
Child Development Fund due to General Fund for repayment of temporary loan and other miscellaneous charges	375,666
Cafeteria Fund due to General Fund for indirect charges and other miscellaneous charges	338,492
Building Fund due to General Fund for direct health and welfare costs	84
General Fund due to Adult Education Fund for prepaid expenditures	1,393
General Fund due to Special Reserve Fund for capital outlay projects	873,583
Capital Projects Fund for Blended Component Units due to Building Fund for reimbursement of costs	1,204,011
Capital Projects Fund for Blended Component Units due to Special Reserve Fund for Capital Outlay for reimbursement of costs	2,207,042
Self-Insurance Fund due to General Fund for self-insurance reimbursement	762,777
Total	\$ 5,790,189

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2018, consisted of the following:

	Interfund Transfers In				Total
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ 955,309	\$ 4,728,064	\$ -	\$ 5,683,373
Special Reserve Fund for Capital Outlay Projects	-	-	-	1,329,318	1,329,318
Capital Projects Fund for Blended Component Units	-	1,728,154	-	-	1,728,154
Non-Major Governmental Funds	1,400	-	-	-	1,400
Total	\$ 1,400	\$ 2,683,463	\$ 4,728,064	\$ 1,329,318	\$ 8,742,245

General Fund transfer to Building Fund for reimbursement of California Clean Energy Projects	\$ 955,309
Adult Education Fund transfer to General Fund to correct an error	1,400
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for one-time mandated claims	4,728,064
Capital Projects Fund for Blended Component Units transfer to Building Fund for cost reimbursements	1,728,154
Special Reserve Fund for Capital Outlay Projects transfer to Debt Service Fund for debt service	1,329,318
Total	\$ 8,742,245

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:							
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	45,873	-	-	-	-	109,300	155,173
Prepaid expenditures	1,208,759	49,200	1,313	-	-	2,426	1,261,698
Total Nonspendable	1,279,632	49,200	1,313	-	-	111,726	1,441,871
Restricted:							
Categorical programs	4,765,177	-	-	-	-	-	4,765,177
Food service programs	-	-	-	-	-	617,194	617,194
Child development programs	-	-	-	-	-	11,186	11,186
Adult education program	-	-	-	-	-	24,922	24,922
Capital projects	-	38,454,917	17,201,252	14,279,112	-	7,809,101	77,744,382
Debt service	-	-	-	-	17,427,323	630,556	18,057,879
Total Restricted	4,765,177	38,454,917	17,201,252	14,279,112	17,427,323	9,092,959	101,220,740
Assigned:							
Site Discretionary Carryover	449,044	-	-	-	-	-	449,044
Mgmt & Conf H&W Pool	114,414	-	-	-	-	-	114,414
Certificated H&W Pool	25,241	-	-	-	-	-	25,241
Classified H&W Pool	1,485,067	-	-	-	-	-	1,485,067
Safety	137,218	-	-	-	-	-	137,218
Kaiser Grant	66,470	-	-	-	-	-	66,470
Site Donations	242,348	-	-	-	-	-	242,348
LCAP Carryover	526,031	-	-	-	-	-	526,031
2018-19 Negotiations	7,072,442	-	-	-	-	-	7,072,442
PERS/STRS Increases	1,901,196	-	-	-	-	-	1,901,196
Lottery	1,026,558	-	-	-	-	-	1,026,558
Total Assigned	13,046,029	-	-	-	-	-	13,046,029
Unassigned:							
Reserve for economic uncertainties	6,899,862	-	-	-	-	-	6,899,862
Remaining unassigned balances	149,990	-	-	-	-	-	149,990
Total Unassigned	7,049,852	-	-	-	-	-	7,049,852
Total	\$ 26,140,690	\$ 38,504,117	\$ 17,202,565	\$ 14,279,112	\$ 17,427,323	\$ 9,204,685	\$ 122,758,492

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Decreases	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	\$ 16,018,583	\$ -	\$ -	\$ 16,018,583
Construction in progress	37,827,171	52,679,127	6,516,372	83,989,926
Total capital assets not being depreciated	<u>53,845,754</u>	<u>52,679,127</u>	<u>6,516,372</u>	<u>100,008,509</u>
Capital assets being depreciated:				
Improvements to sites	24,901,321	3,201,921	-	28,103,242
Buildings	322,188,972	10,035,543	3,946,252	328,278,263
Equipment	22,661,742	2,680,421	864,908	24,477,255
Total capital assets being depreciated	<u>369,752,035</u>	<u>15,917,885</u>	<u>4,811,160</u>	<u>380,858,760</u>
Accumulated depreciation for:				
Improvements to sites	(18,139,592)	(324,370)	-	(18,463,962)
Buildings	(107,826,734)	(6,349,948)	(3,946,252)	(110,230,430)
Equipment	(14,213,490)	(1,457,700)	(864,908)	(14,806,282)
Total accumulated depreciation	<u>(140,179,816)</u>	<u>(8,132,018)</u>	<u>(4,811,160)</u>	<u>(143,500,674)</u>
Total capital assets being depreciated, net	<u>229,572,219</u>	<u>7,785,867</u>	<u>-</u>	<u>237,358,086</u>
Governmental activity capital assets, net	<u>\$ 283,417,973</u>	<u>\$ 60,464,994</u>	<u>\$ 6,516,372</u>	<u>\$ 337,366,595</u>

Depreciation expense is allocated to the following functions in the statement of activities:

Instruction	\$ 5,850,501
Instruction Supervision and Administration	14,460
Instruction Library, Media and Technology	249,808
School Site Administration	194,672
Food Services	77,266
All Other Pupil Services	373,200
Ancillary Services	170,172
All Other General Administration	59,246
Centralized Data Processing	85,116
Plant Services	1,057,577
Total	<u>\$ 8,132,018</u>

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due in One Year
General Obligation Bonds:					
Bond principal	\$ 131,777,972	\$ -	\$ 7,190,000	\$ 124,587,972	\$ 7,230,000
Accreted interest component	6,763,831	703,008	-	7,466,839	-
Unamortized issuance premium	11,482,191	-	643,719	10,838,472	643,719
Sub-Total GO Bonds	<u>150,023,994</u>	<u>703,008</u>	<u>7,833,719</u>	<u>142,893,283</u>	<u>7,873,719</u>
Lease Revenue Bonds:					
Bond principal	29,988,476	-	-	29,988,476	-
Accreted interest component	223,953	120,823	-	344,776	-
Unamortized issuance premium	2,268,819	-	88,110	2,180,709	88,110
Sub-Total Lease Revenue Bonds	<u>32,481,248</u>	<u>120,823</u>	<u>88,110</u>	<u>32,513,961</u>	<u>88,110</u>
Certificates of Participation	5,070,000	-	510,000	4,560,000	540,000
Site Lease Agreement	1,435,000	-	340,000	1,095,000	350,000
Energy Efficiency Financing	26,796,104	-	1,407,332	25,388,772	1,468,622
Capital Leases	200,337	431,150	261,319	370,168	86,441
Redevelopment Agency	1,000,000	-	200,000	800,000	200,000
Compensated Absences	2,853,704	86,618	-	2,940,322	-
Early Retirement Incentives	146,375	-	12,956	133,419	133,419
Other Postemployment Benefits	47,112,127	4,784,414	2,259,105	49,637,436	-
Total	<u>\$ 267,118,889</u>	<u>\$ 6,126,013</u>	<u>\$ 12,912,541</u>	<u>\$ 260,332,361</u>	<u>\$ 10,740,311</u>

Note: Beginning balance of OPEB liability has been restated due to the implementation of GASB Statement No.75

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. The site lease agreement payments are split between the Cafeteria Fund and the Special Reserve Fund for Capital Outlay. All other debt service payments are split between the Special Reserve Fund for Capital Outlay and the General Fund. Compensated absences will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Election of 2001

The District received authorization at an election held on November 28, 2001 (Measure C), by an affirmative vote of 64.7% of the votes cast by eligible voters within the District to issue general obligation bonds in an amount not to exceed \$58 million. The proceeds of the bonds were authorized to be used for the acquisition and construction of school facilities and equipment, specifically: repair roofing, plumbing and electrical systems, improve school safety and security, upgrade classroom technology, build and expand science laboratories and libraries, and build new schools and classrooms.

Election of 2014

Pursuant to a regularly scheduled election of the registered voters of the District held on November 4, 2014, at least 55% of the persons voting on the proposition (Measure "EE") voted to authorize the issuance and sale of not to exceed \$144 million principal amount of general obligation bonds of the District to finance the construction of new facilities and renovation and improvement at existing schools and to pay costs of issuance of the bonds.

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Refunding Bonds

In prior years, the District has issued refunding bonds. The net proceeds of the refunding bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$696,765 remain to be amortized as of June 30, 2018. All principal amounts on the defeased debt have been paid in full.

Summary of Outstanding Bonds

Following is a summary of bonds issued by the District and outstanding as of June 30, 2018:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Issuances	Payments	Balance, June 30, 2018
Election of 2001 (Measure C)								
2002	4/2/2002	5/1/2027	4.00% - 5.94%	\$ 30,797,972	\$ 4,922,972	\$ -	\$ -	\$ 4,922,972
Election of 2014 (Measure EE)								
2015A	5/27/2015	8/1/2039	2.00% - 5.00%	30,000,000	26,075,000	-	4,435,000	21,640,000
2017B	1/26/2017	8/1/2041	4.00% - 5.00%	65,640,000	65,640,000	-	-	65,640,000
Refunding Bonds								
2011 Refi.	11/2/2011	8/1/2022	2.00% - 5.00%	20,295,000	13,595,000	-	1,735,000	11,860,000
2012 Refi.	11/28/2012	8/1/2028	2.625% - 5.000%	25,200,000	21,545,000	-	1,020,000	20,525,000
				<u>\$ 171,932,972</u>	<u>\$ 131,777,972</u>	<u>\$ -</u>	<u>\$ 7,190,000</u>	<u>\$ 124,587,972</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 7,230,000	\$ 5,215,475	\$ 12,445,475
2019-20	6,605,000	4,901,500	11,506,500
2020-21	3,420,000	4,667,075	8,087,075
2021-22	3,865,000	4,486,300	8,351,300
2022-23	4,355,000	4,282,500	8,637,500
2023-28	16,272,972	33,941,644	50,214,616
2028-33	20,155,000	16,304,684	36,459,684
2033-38	27,740,000	11,068,000	38,808,000
2038-42	34,945,000	2,994,375	37,939,375
Total	<u>\$ 124,587,972</u>	<u>\$ 87,861,553</u>	<u>\$ 212,449,525</u>

B. Lease Revenue Bonds

On April 2, 2015, the District issued \$29,988,476 in Lease Revenue Bonds. The net proceeds of \$32,455,543 (after issuance costs of \$609,957 and premium of \$2,467,067) were deposited into the Special Reserve Fund for Capital Outlay Projects to finance school facilities, fund capitalize interest, provide a debt service reserve insurance policy and pay for costs incurred in connection with the issuance of the Bonds, including the premiums for a municipal bond insurance policy and the debt service reserve insurance policy.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Lease Revenue Bonds (continued)

Future payments are as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ -	\$ 1,283,050	\$ 1,283,050
2019-20	-	1,283,050	1,283,050
2020-21	65,000	1,281,750	1,346,750
2021-22	135,000	1,277,750	1,412,750
2022-23	215,000	1,270,750	1,485,750
2023-28	2,495,000	6,073,375	8,568,375
2028-33	5,780,000	5,112,175	10,892,175
2033-38	7,246,462	6,689,351	13,935,813
2038-43	14,052,014	3,549,861	17,601,875
Total	\$ 29,988,476	\$ 27,821,112	\$ 57,809,588

C. Certificates of Participation

2011 Refunding

On November 2, 2011, the District issued \$7,220,000 of Refunding Certificates of Participation. The Certificates bear fixed interest rates ranging from 2.0 to 4.375 percent with annual maturities from August 2012 through August 2024. The net proceeds of \$6,915,818 (after delivery costs, underwriter's discount, and original issue discount of \$304,182) were used to prepay the District's outstanding Certificates of Participation (1999 Education Center Project).

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities.

Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of (\$45,329) remain to be amortized. As of June 30, 2018, the principal balance on the defeased debt was completely paid.

The annual requirements to amortize the Refunding Certificates of Participation outstanding as of June 30, 2018 were as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 540,000	\$ 172,338	\$ 712,338
2019-20	570,000	153,587	723,587
2020-21	605,000	131,513	736,513
2021-22	645,000	106,512	751,512
2022-23	690,000	79,381	769,381
2023-25	1,510,000	66,700	1,576,700
Total	\$ 4,560,000	\$ 710,031	\$ 5,270,031

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

C. Certificates of Participation (continued)

2012 Site Lease Agreement

On July 1, 2011, the District entered into a site lease agreement with Municipal Asset Finance Corporation. Under the agreement, the Corporation has agreed to finance the acquisition of a warehouse and the costs of certain tenant improvements for the District, and in exchange the District has agreed to lease the Peralta Elementary School property. The financing is evidenced by the issuance of \$3,200,000 certificates of participation, and the District will make lease payments to the Corporation as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 350,000	\$ 45,443	\$ 395,443
2019-20	365,000	30,917	395,917
2020-21	380,000	15,770	395,770
Total	\$ 1,095,000	\$ 92,130	\$ 1,187,130

D. Energy Efficiency Financing (Chevron)

On September 30, 2011, the District approved an energy conservation measure, authorizing approval of the execution and delivery of an equipment/lease purchase agreement for \$27,105,376. The agreement is for the acquisition, purchase, financing and leasing of certain equipment for the public benefit. Future payments due under the agreement are as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 1,468,622	\$ 884,527	\$ 2,353,149
2019-20	1,637,800	830,783	2,468,583
2020-21	1,810,628	770,954	2,581,582
2021-22	1,995,071	704,859	2,699,930
2022-23	2,235,484	631,512	2,866,996
2023-28	12,226,958	1,793,246	14,020,204
2028-33	2,582,688	576,434	3,159,122
2033-35	1,431,521	71,183	1,502,704
Total	\$ 25,388,772	\$ 6,263,498	\$ 31,652,270

E. Capital Leases

The District leases equipment and vehicles having a value of approximately \$575,000 under agreements that provide for title to pass upon expiration of the lease period.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

E. Capital Leases (continued)

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2018-19	\$ 104,263
2019-20	89,932
2020-21	89,255
2021-22	89,254
2022-23	44,627
Total	417,331
Less Amount Representing Interest	(47,163)
Present Value of Net Minimum Lease Payments	<u>\$ 370,168</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment, classroom or buses.

F. Redevelopment Agency

On February 21, 2007, the District entered into a contract with the redevelopment agency. The contract is for the building of a new stadium at Rubidoux High School. The agreement called for the agency to provide up to \$5 million to the District on a reimbursement basis. \$3 million of the loan is being repaid in annual installments of \$200,000, beginning June 15, 2008. The remaining \$2 million will be repaid from incremental pass through funds received by the District from the Agency that exceed the amount received in fiscal year 2005-2006. As of June 30, 2018, \$800,000 was the outstanding balance on this obligation.

G. Early Retirement Incentives

The District has entered into various agreements for early retirement incentives for eligible employees. Eligibility requirements are that employees must have 25 years of service with the District and must be 55 years of age. The agreements require the District to make 5 equal annual installment payments or a \$10,000 lump sum for the retirees that participate in the plan. As of June 30, 2018, only one payment of \$133,419 remains.

H. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$74,765,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the financial statements.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 8 – JOINT VENTURES

The Jurupa Unified School District participates in joint ventures under joint powers agreements with the Riverside Schools Risk Management Authority (RSRMA) and the Riverside County Employer/Employee Partnership (REEP) for benefits. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The RSRMA JPA provides workers compensation insurance coverage for its members and REEP provides health and welfare benefits coverage for its members. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed financial information is as follows:

	REEP Audited June 30, 2017	RSRMA Unaudited June 30, 2018
Assets	\$ 26,793,949	\$ 13,536,725
Liabilities	10,863,667	2,727,581
Net Position	<u>\$ 15,930,282</u>	<u>\$ 10,809,144</u>
Revenues	\$ 196,251,052	\$ 39,491,110
Expenditures	193,858,422	38,850,735
Operating Income (loss)	2,392,630	640,375
Non-Operating Income	-	-
Change in Net Position	<u>\$ 2,392,630</u>	<u>\$ 640,375</u>

NOTE 9 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District purchased a commercial insurance policy for property and liability insurance coverage with a \$100,000 deductible, with the excess coverage provided by SAFER. 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 2018, the District participated in the RSRMA public entity risk pool for workers compensation coverage, with excess coverage provided by the PIPS public entity risk pool.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 9 – RISK MANAGEMENT (continued)

Employee Medical Benefits

The District has contracted with Kaiser, Blue Cross HMO, Blue Cross PPO, and United Healthcare to provide employee medical and surgical benefits, and Met Life Dental, Anthem PPO Dental, and Delta for dental benefits. Basic life insurance and disability benefits are provided through American Fidelity, The Standard, The Hartford, or Met Life.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

Liability Balance, July 1, 2016	\$	340,041
Claims and changes in estimates		428,521
Claims payments		<u>(428,521)</u>
Liability Balance, June 30, 2017		340,041
Claims and changes in estimates		1,035,412
Claims payments		<u>(1,069,495)</u>
Liability Balance, June 30, 2018	\$	<u><u>305,958</u></u>
Assets available to pay claims at June 30, 2018	\$	<u><u>1,086,063</u></u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Litigation

The District is involved in various litigation that arose out of the normal course of business. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the litigation will have a material impact on the financial statements.

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of approximately \$27.1 million to be paid from a combination of State and local funds.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 172,718,949	\$ 52,343,175	\$ 7,612,483	\$ 20,482,502
CalPERS	58,626,120	21,859,812	690,250	11,677,752
Total	<u>\$ 231,345,069</u>	<u>\$ 74,202,987</u>	<u>\$ 8,302,733</u>	<u>\$ 32,160,254</u>

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Benefits Provided (continued)

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	60	62
Retirement Age	2.0%-2.4%	2.0%-2.4%
Monthly Benefits as a Percentage of Eligible Compensation	10.25%	9.205%
Required Employee Contribution Rate	14.43%	14.43%
Required Employer Contribution Rate	9.328%	9.328%
Required State Contribution Rate		

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% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$14,588,392.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 172,718,949
State's proportionate share of the net pension liability associated with the District	40,336,545
Total	<u>\$ 213,055,494</u>

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.186764%	0.188300%	-0.001536%

For the year ended June 30, 2018, the District recognized pension expense of \$20,482,502. In addition, the District recognized pension expense and revenue of \$1,820,847 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,588,392	\$ -
Net change in proportionate share of net pension liability	5,117,850	-
Difference between projected and actual earnings on pension plan investments	-	4,599,987
Changes of assumptions	31,998,202	-
Differences between expected and actual experience in the measurement of the total pension liability	638,731	3,012,496
Total	\$ 52,343,175	\$ 7,612,483

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/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. 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 7 years.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,957,347
2020	8,675,233
2021	6,198,748
2022	1,694,011
2023	6,129,646
Thereafter	5,485,448
Total	<u>\$ 30,140,433</u>

Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. 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 (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 253,606,250
Current discount rate (7.10%)	172,718,949
1% increase (8.10%)	107,073,422

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$8,309,336 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are 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, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$5,074,074.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$58,626,120. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.245579%	0.243400%	0.002179%

For the year ended June 30, 2018, the District recognized pension expense of \$11,677,752. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,074,074	\$ -
Net change in proportionate share of net pension liability	4,094,076	-
Difference between projected and actual earnings on pension plan investments	2,028,063	-
Changes of assumptions	8,563,267	690,250
Differences between expected and actual experience in the measurement of the total pension liability	2,100,332	-
Total	<u>\$ 21,859,812</u>	<u>\$ 690,250</u>

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. 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 4 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 4,451,860
2020	7,386,744
2021	5,277,963
2022	(1,021,079)
2023	-
Thereafter	-
Total	<u>\$ 16,095,488</u>

Actuarial Methods and Assumptions

Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administration expenses.

The target asset allocation and best estimates of 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	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 86,257,810
Current discount rate (7.15%)	58,626,120
1% increase (8.15%)	35,703,320

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

C. 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 the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2018, the District reported payables of \$66,650 and \$53,416 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description

The District's defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated Employees

The District will pay for retiree health coverage (medical and dental) including dependent coverage through age 65 or eligibility for Medicare subject to an annual maximum benefit allotment. The retiree pays for any elected vision coverage. Spouse & dependents coverage (except for COBRA) ceases upon the death of the retiree. The District does not provide any financial contribution for coverage beyond age 65 or Medicare eligibility. Eligibility for retiree health coverage requires reaching normal retirement eligibility under STRS with at least 10 years of service. The District is contractually obligated to make a flat contribution into a Certificated employee pool which is used to pay the costs for health benefits for Certificated employees. Any shortfall is paid by the Certificated employees in the pool through surcharges. The District contribution is the \$9,500 negotiated cap per eligible employee. For the fiscal year ending June 30, 2018, the cap included a one-time addition of \$722, for a total cap of \$10,222. The retired employees pay the same surcharge for their coverage as the active employees.

Classified Employees

The District will pay for retiree health coverage (medical, dental and vision) including dependent coverage through age 65 or eligibility for Medicare subject to an annual maximum benefit allotment (currently \$9,500). For the fiscal year ending June 30, 2018, the annual maximum included a one-time addition of \$722, for a total maximum of \$10,222. The retiree pays for any amounts above the annual maximum. The annual maximum is pro-rated for Classified part-time employees. Spouse & dependents coverage (except for COBRA) ceases upon the death of the retiree. The District does not provide any financial contribution for coverage beyond age 65 or Medicare eligibility. Eligibility for retiree health coverage requires reaching normal retirement eligibility under PERS with at least 10 years of service.

JURUPA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Management Employees

The District will pay for retiree health coverage (medical, dental and vision) including dependent coverage through age 65 or eligibility for Medicare subject to an annual maximum benefit allotment (currently \$9,500). For the fiscal year ending June 30, 2018, the annual maximum included a one-time addition of \$722, for a total maximum of \$10,222. The retiree pays for any amounts above the annual maximum. Spouse and dependents coverage (except for COBRA) ceases upon the death of the retiree. The District does not provide any financial contribution for coverage beyond age 65 or Medicare eligibility. Eligibility for retiree health coverage requires reaching normal retirement eligibility under PERS/STRS with at least 10 years of service.

Board Members

Retired Board Members are only eligible for COBRA.

Employees covered by benefit terms

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	182
Active employees	1,830
Total	<u>2,012</u>

Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Total Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2018 were as follows:

	District Plan	MPP Program
Valuation Date	December 31, 2017	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	2.75 percent	N/A
Salary increases	3.00 percent	N/A
Discount rate	3.35 percent	N/A
Healthcare cost trend rates	6.50% HMO/6.50% PPO decreasing to 5.0% HMO/5.0% PPO	3.58 percent
Retirees' share of benefit-related costs	Annual maximum benefit of \$10,222. Retiree pays for any amount above annual maximum benefit.	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total Net OPEB Liability (continued)

Actuarial assumptions and other inputs

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

	Total OPEB Liability
Balance at July 1, 2016	<u>\$ 45,720,928</u>
Changes for the year:	
Service cost	3,059,671
Interest	1,600,743
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(1,994,466)
Net changes	<u>2,665,948</u>
Balance at June 30, 2017 - District Plan	48,386,876
MPP Program OPEB Liability	<u>1,250,560</u>
Total Reported OPEB Liability	<u><u>\$ 49,637,436</u></u>

District Plan

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations.

MPP Program

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

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

JURUPA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease 2.35%	Discount Rate 3.35%	1% Increase 4.35%
District Plan	\$ 52,273,222	\$ 48,386,876	\$ 44,781,159
	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	\$ 1,384,457	\$ 1,250,560	\$ 1,120,316

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease (5.5% HMO/PPO decreasing to 4.0% HMO/PPO)	Healthcare Cost Trend Rates (6.5% HMO/PPO decreasing to 5.0% HMO/PPO)	1% Increase (7.5% HMO/PPO decreasing to 6.0% HMO/PPO)
District Plan	\$ 43,392,761	\$ 48,386,876	\$ 54,211,945
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 1,130,072	\$ 1,250,560	\$ 1,369,844

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$1,447,234. At June 30, 2018, the District reported deferred outflows of resources for plan contributions subsequent to the measurement date of \$1,078,075. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. The District reported no other deferred outflows of resources or deferred inflows of resources related to OPEB at June 30, 2018.

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Required Supplementary Information

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JURUPA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF sources	\$ 185,500,106	\$ 185,775,279	\$ 185,775,279	\$ -
Federal sources	13,424,983	14,570,516	12,033,549	(2,536,967)
Other state sources	17,558,521	22,607,474	20,598,428	(2,009,046)
Other local sources	9,189,830	11,879,473	11,908,147	28,674
Total Revenues	225,673,440	234,832,742	230,315,403	(4,517,339)
Expenditures				
Current:				
Certificated salaries	102,714,540	102,996,778	102,693,493	303,285
Classified salaries	33,016,009	33,858,942	33,872,679	(13,737)
Employee benefits	54,543,587	53,008,839	52,422,563	586,276
Books and supplies	8,302,168	10,610,672	7,667,484	2,943,188
Services and operating expenditures	23,035,418	23,084,835	21,817,824	1,267,011
Capital outlay	284,533	1,434,605	1,434,599	6
Other outgo	507,865	377,212	377,212	-
Transfers of indirect costs	(273,509)	(393,984)	(393,915)	(69)
Debt Service	2,816,777	2,816,342	2,950,225	(133,883)
Total Expenditures	224,947,388	227,794,241	222,842,164	4,952,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	726,052	7,038,501	7,473,239	434,738
Other Financing Sources and Uses				
Interfund transfers in	873,583	874,983	1,400	(873,583)
Interfund transfers out	(3,200,000)	(7,584,379)	(7,584,379)	-
Issuance of debt - capital leases	-	-	431,150	431,150
Total Other Financing Sources and Uses	(2,326,417)	(6,709,396)	(7,151,829)	(442,433)
Net Change in Fund Balances	(1,600,365)	329,105	321,410	(7,695)
Fund Balance, July 1, 2017	20,463,425	23,918,084	23,918,084	-
Fund Balance, June 30, 2018	\$ 18,863,060	\$ 24,247,189	\$ 24,239,494	\$ (7,695)

* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.1868%	0.1883%	0.1850%	0.1770%
District's proportionate share of the net pension liability	\$ 172,718,949	\$ 152,056,280	\$ 124,549,400	\$ 103,433,490
State's proportionate share of the net pension liability associated with the District	40,336,545	86,575,672	65,872,726	62,458,234
Totals	\$ 213,055,494	\$ 238,631,952	\$ 190,422,126	\$ 165,891,724
District's covered-employee payroll	\$ 99,762,846	\$ 94,905,061	\$ 85,810,574	\$ 78,695,612
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.13%	160.22%	145.14%	131.43%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.2456%	0.2434%	0.2205%	0.2129%
District's proportionate share of the net pension liability	\$ 58,626,120	\$ 48,071,651	\$ 32,501,918	\$ 24,169,334
District's covered-employee payroll	\$ 31,885,808	\$ 29,223,694	\$ 35,585,736	\$ 33,850,280
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.86%	164.50%	91.33%	71.40%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

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

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS				
Contractually required contribution	\$ 14,588,392	\$ 12,550,166	\$ 10,183,313	\$ 7,619,979
Contributions in relation to the contractually required contribution	<u>14,588,392</u>	<u>12,550,166</u>	<u>10,183,313</u>	<u>7,619,979</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 101,097,656</u>	<u>\$ 99,762,846</u>	<u>\$ 94,905,061</u>	<u>\$ 85,810,574</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 5,074,074	\$ 4,428,301	\$ 3,462,131	\$ 4,188,797
Contributions in relation to the contractually required contribution	<u>5,074,074</u>	<u>4,428,301</u>	<u>3,462,131</u>	<u>4,188,797</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 32,670,620</u>	<u>\$ 31,885,808</u>	<u>\$ 29,223,694</u>	<u>\$ 35,585,736</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

JURUPA UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018*

Last 10 Fiscal Years*

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 3,059,671
Interest	1,600,743
Benefit payments	<u>(1,994,466)</u>
Net change in total OPEB liability	2,665,948
Total OPEB liability - beginning	<u>45,720,928</u>
Total OPEB liability - ending	<u>\$ 48,386,876</u>
Covered-employee payroll	<u>\$ 102,297,000</u>
Total OPEB liability as a percentage of covered- employee payroll	<u>47.30%</u>

Notes to Schedule:

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

JURUPA UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018**(Dollars in Thousands, except for District's proportionate share)*

	2017
Total OPEB liability	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	\$ 420,749
Plan fiduciary net position	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	\$ 41
Net OPEB liability	\$ 420,708
District's proportionate share of net OPEB liability	\$ 1,250,560
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

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

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

JURUPA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Pension Contributions

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

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

Schedules of Proportionate Share of the Net Pension Liability

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

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

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

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Classified salaries	\$ 13,737
Transfers of indirect costs	69
Debt service	133,883

Supplementary Information

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JURUPA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2018

The Jurupa Unified School District was established on July 1, 1963, and is comprised of an area of approximately 44 square miles located in the incorporated city of Jurupa Valley in addition to unincorporated areas of western Riverside County. There were no changes in the boundaries of the District during the current year. The District is currently operating sixteen elementary schools for grades K-6, three middle schools for grades 7-8, three comprehensive high schools for grades 9-12, one continuation high school, and a Learning Center that houses a community day school, an adult education program, an independent study program, and other alternative education programs.

Governing Board		
Member	Office	Term Expires
Robert Garcia	President	December, 2018
Linda Chard	Clerk	December, 2020
Karen Bradford	Member	December, 2018
Memo Mendez	Member	December, 2018
Silvia Ortega	Member	December, 2020

DISTRICT ADMINISTRATORS

Elliott Duchon,
Superintendent

Tammy Elzig,
Deputy Superintendent, Personnel Services

Dr. Trent Hansen,
Assistant Superintendent, Planning & Development

Dave Doubravsky,
Assistant Superintendent, Education Services

Paula Ford,
Assistant Superintendent, Business Services

JURUPA UNIFIED SCHOOL DISTRICT
Balance Sheet – Non-Major Funds
June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total
ASSETS							
Cash	\$ 33,092	\$ 217,329	\$ 81,580	\$ 6,872,858	\$ 921,213	\$ 630,556	\$ 8,756,628
Accounts receivable	58,800	241,290	1,030,851	77,741	4,174	-	1,412,856
Due from other funds	1,393	-	-	-	-	-	1,393
Inventories	-	-	109,300	-	-	-	109,300
Prepaid expenditures	-	-	2,426	-	-	-	2,426
Total Assets	<u>\$ 93,285</u>	<u>\$ 458,619</u>	<u>\$ 1,224,157</u>	<u>\$ 6,950,599</u>	<u>\$ 925,387</u>	<u>\$ 630,556</u>	<u>\$ 10,282,603</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 41,222	\$ 2,638	\$ 101,389	\$ 66,885	\$ -	\$ -	\$ 212,134
Due to other funds	27,141	375,666	338,492	-	-	-	741,299
Unearned revenues	-	69,129	55,356	-	-	-	124,485
Total Liabilities	<u>68,363</u>	<u>447,433</u>	<u>495,237</u>	<u>66,885</u>	<u>-</u>	<u>-</u>	<u>1,077,918</u>
Fund Balances							
Nonspendable	-	-	111,726	-	-	-	111,726
Restricted	24,922	11,186	617,194	6,883,714	925,387	630,556	9,092,959
Total Fund Balances	<u>24,922</u>	<u>11,186</u>	<u>728,920</u>	<u>6,883,714</u>	<u>925,387</u>	<u>630,556</u>	<u>9,204,685</u>
Total Liabilities and Fund Balances	<u>\$ 93,285</u>	<u>\$ 458,619</u>	<u>\$ 1,224,157</u>	<u>\$ 6,950,599</u>	<u>\$ 925,387</u>	<u>\$ 630,556</u>	<u>\$ 10,282,603</u>

JURUPA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total
REVENUES							
Federal sources	\$ 104,045	\$ -	\$ 7,647,911	\$ -	\$ -	\$ -	\$ 7,751,956
Other state sources	1,037,066	964,329	507,017	-	-	-	2,508,412
Other local sources	1,667	6,246	1,143,283	(411,193)	13,217	-	753,220
Total Revenues	1,142,778	970,575	9,298,211	(411,193)	13,217	-	11,013,588
EXPENDITURES							
Current:							
Instruction	901,892	731,394	-	-	-	-	1,633,286
Instruction-related services							
Supervision of instruction	1,707	174,462	-	-	-	-	176,169
School site administration	424,659	-	-	-	-	-	424,659
Pupil ! School site administration							
Food services	-	-	9,821,905	-	-	-	9,821,905
All other pupil services	4,546	27,957	-	-	-	-	32,503
General Administration:							
All other general administration	-	-	-	36,026	-	-	36,026
Plant services	-	5,284	-	79,660	-	-	84,944
Transfers of indirect costs	32,440	25,666	335,809	-	-	-	393,915
Capital Outlay	-	-	-	146,900	-	-	146,900
Debt Service:							
Principal	-	-	170,000	-	-	510,000	680,000
Interest	-	-	29,776	-	-	188,762	218,538
Total Expenditures	1,365,244	964,763	10,357,490	262,586	-	698,762	13,648,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,466)	5,812	(1,059,279)	(673,779)	13,217	(698,762)	(2,635,257)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	-	-	-	-	-	1,329,318	1,329,318
Interfund transfers out	(1,400)	-	-	-	-	-	(1,400)
Total Other Financing Sources and Uses	(1,400)	-	-	-	-	1,329,318	1,327,918
Net Change in Fund Balances	(223,866)	5,812	(1,059,279)	(673,779)	13,217	630,556	(1,307,339)
Fund Balances, July 1, 2017	248,788	5,374	1,788,199	7,557,493	912,170	-	10,512,024
Fund Balances, June 30, 2018	\$ 24,922	\$ 11,186	\$ 728,920	\$ 6,883,714	\$ 925,387	\$ 630,556	\$ 9,204,685

See accompanying note to supplementary information.

JURUPA UNIFIED SCHOOL DISTRICT*Combining Statement of Fiduciary Net Position- ASBs**June 30, 2018*

	<u>Jurupa Valley High</u>	<u>Patriot High</u>	<u>Rubidoux High</u>	<u>Nueva Vista High</u>	<u>Jurupa Middle</u>	<u>Mira Loma Middle</u>	<u>Mission Middle</u>	<u>Total</u>
ASSETS								
Cash	\$ 191,558	\$ 276,440	\$ 95,119	\$ 709	\$ 57,249	\$ 41,444	\$ 21,875	\$ 684,394
Inventories	<u>6,026</u>	<u>33,475</u>	<u>9,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,420</u>
Total assets	<u>\$ 197,584</u>	<u>\$ 309,915</u>	<u>\$ 105,038</u>	<u>\$ 709</u>	<u>\$ 57,249</u>	<u>\$ 41,444</u>	<u>\$ 21,875</u>	<u>\$ 733,814</u>
LIABILITIES								
Due to student groups	<u>\$ 197,584</u>	<u>\$ 309,915</u>	<u>\$ 105,038</u>	<u>\$ 709</u>	<u>\$ 57,249</u>	<u>\$ 41,444</u>	<u>\$ 21,875</u>	<u>\$ 733,814</u>
Total liabilities	<u>\$ 197,584</u>	<u>\$ 309,915</u>	<u>\$ 105,038</u>	<u>\$ 709</u>	<u>\$ 57,249</u>	<u>\$ 41,444</u>	<u>\$ 21,875</u>	<u>\$ 733,814</u>

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
	Certificate No. (3F24959E)	Certificate No. (7FDFBA38)
Regular ADA:		
TK/K-3	5,547.22	5,550.72
Grades 4-6	4,294.29	4,295.76
Grades 7-8	2,808.44	2,799.35
Grades 9-12	5,527.99	5,491.37
	<hr/>	<hr/>
Total Regular ADA	18,177.94	18,137.20
	<hr/>	<hr/>
Special Education - Nonpublic, Nonsectarian Schools:		
TK/K-3	30.14	25.75
Grades 4-6	10.43	10.06
Grades 7-8	1.61	1.73
Grades 9-12	11.38	11.07
	<hr/>	<hr/>
Total Special Education, Nonpublic, Nonsectarian Schools	53.56	48.61
	<hr/>	<hr/>
Community Day School	9.34	10.78
	<hr/>	<hr/>
Total ADA	18,240.84	18,196.59
	<hr/> <hr/>	<hr/> <hr/>

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Traditional Calendar Days</u>	<u>Status</u>
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	52,800	180	Complied
Grade 2	50,400	52,800	180	Complied
Grade 3	50,400	52,800	180	Complied
Grade 4	54,000	54,000	180	Complied
Grade 5	54,000	54,000	180	Complied
Grade 6	54,000	54,000	180	Complied
Grade 7	54,000	58,340	180	Complied
Grade 8	54,000	58,340	180	Complied
Grade 9	64,800	64,888	180	Complied
Grade 10	64,800	64,888	180	Complied
Grade 11	64,800	64,888	180	Complied
Grade 12	64,800	64,888	180	Complied

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 ²	2018 ³	2017	2016
Revenues and other financing sources	\$ 244,637,467	\$ 230,747,953	\$ 228,446,680	\$ 220,093,022
Expenditures	236,168,853	222,842,164	221,893,281	207,162,733
Other uses and transfers out	4,700,000	7,584,379	8,151,852	13,471,854
Total outgo	240,868,853	230,426,543	230,045,133	220,634,587
Change in fund balance (deficit)	3,768,614	321,410	(1,598,453)	(541,565)
Ending fund balance	\$ 28,008,108	\$ 24,239,494	\$ 23,918,084	\$ 25,516,537
Available reserves ¹	\$ 11,592,968	\$ 7,049,852	\$ 6,904,522	\$ 6,904,522
Available reserves as a percentage of total outgo	4.8%	3.1%	3.0%	3.1%
Total long-term debt	\$ 464,311,709	\$ 491,677,430	\$ 467,246,820	\$ 334,022,281
Average daily attendance at P-2	18,206	18,241	18,363	18,495

The General Fund balance has decreased by \$1.3 million over the past two years. The fiscal year 2018-19 adopted budget projects an increase of \$3.8 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has increased \$157.7 million over the past two years due primarily to the net pension liability and bond issuances.

The District has incurred operating deficits in two of the past three years, but does not anticipate incurring an operating deficit during the 2018-19 fiscal year.

Average daily attendance (ADA) has decreased by 254 over the past two years. A decrease of 35 ADA is anticipated during fiscal year 2018-19.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² As of September, 2018.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

JURUPA UNIFIED SCHOOL DISTRICT*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018*

	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund
June 30, 2018, annual financial and budget report fund balance	\$ 17,833,121	\$ -
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Cash in banks understated	-	630,556
Prepaid expenditures overstated	<u>(630,556)</u>	<u>-</u>
Total adjustments	<u>(630,556)</u>	<u>630,556</u>
June 30, 2018, audited financial statement fund balance	<u>\$ 17,202,565</u>	<u>\$ 630,556</u>

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 1,119,397	
National School Lunch Program	10.555	13523	5,753,194	
USDA Donated Foods	10.555	N/A	<u>625,116</u>	
Total Child Nutrition Cluster				\$ 7,497,707
Fresh Fruit and Vegetable Program	10.582	14968		<u>150,204</u>
Total U.S. Department of Agriculture				<u>7,647,911</u>
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.000	N/A		<u>32,941</u>
Total U.S. Department of Defense				<u>32,941</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education Cluster:				
Adult Secondary Education	84.002	13978	30,746	
Adult Basic Education & ESL	84.002A	14508	40,085	
English Literacy & Civics Education	84.002	14750	<u>33,214</u>	
Total Adult Basic Education Cluster				104,045
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		5,312,963
Title I, Part G, AP Test Reimbursement	84.330B	14831		134,020
Title II, Part A, Supporting Effective Instruction	84.367	14341		471,195
Title III, Limited English Proficiency	84.365	14346		639,649
Title IV, Part B, 21st Century Community Learning Centers	84.287	14681		282,150
Title VII, McKinney -Vento Homeless Assistance Act	84.196	14332		659
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		165,759
Passed through Riverside County SELPA:				
Individuals with Disabilities Education Act (IDEA) Cluster:				
Local Assistance Entitlement	84.027	13379	2,900,246	
IDEA Preschool Grants, Part B, Section 619	84.173	13430	44,321	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	207,043	
IDEA Preschool Local Entitlement, Part B, Section 611	84.027A	13682	165,598	
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	459	
Special Education Supporting Inclusive Practices	84.027A	13693	<u>34,127</u>	
Total Special Education (IDEA) Cluster				<u>3,351,794</u>
Total U.S. Department of Education				<u>10,462,234</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Head Start	93.600	10016		1,389,303
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	457,110	
Medi-Cal Administrative Activities (MAA)	N/A	10060	<u>47,733</u>	
Total Medicaid Cluster				<u>504,843</u>
Total U.S. Department of Health & Human Services				<u>1,894,146</u>
Total Expenditures of Federal Awards				<u>\$ 20,037,232</u>

JURUPA UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Individual Combining Financial Statements

Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met 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.

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.

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 Expenditures of Federal Awards

The 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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 19,785,505
Differences between Federal Revenues and Expenditures:		
Title I, Part G, AP Test Reimbursement	84.330B	125,395
Medi-Cal Billing Option	93.778	242,057
Medi-Cal Administrative Activities	93.778	(116,384)
Title VII McKinney -Vento Homeless Assistance Act	84.196	<u>659</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 20,037,232</u>

Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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

Board of Education
Jurupa Unified School District
Jurupa Valley, 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 Jurupa Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Jurupa Unified School District's basic financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control Over Financial Reporting

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

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

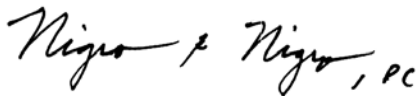
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jurupa Unified School District's financial statements are free of 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*.

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.

A handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
October 16, 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Jurupa Unified School District
Jurupa Valley, California

Report on State Compliance

We have audited Jurupa Unified School District's compliance with the types of compliance requirements described in the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Jurupa Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Jurupa Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Jurupa Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No), Continuation Education (Yes), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing. We did not perform testing for California Clean Energy Jobs Act because the District did not have any expenditures.

Unmodified Opinion on Compliance with State Programs

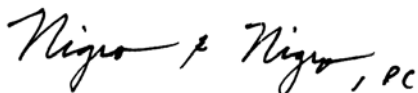
In our opinion, Jurupa Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on each state program is not modified with respect to this matter.

District's Response to Finding

Jurupa Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Jurupa Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
October 16, 2018



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

Board of Education
Jurupa Unified School District
Jurupa Valley, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

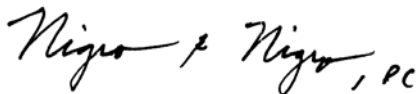
Report on Internal Control Over Compliance

Management of Jurupa Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jurupa Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.



Murrieta, California
October 16, 2018

Findings and Questioned Costs

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JURUPA UNIFIED SCHOOL DISTRICT
Summary of Auditors' Results
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.010</u> <u>Title I, Part A</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 auditors' report issued on compliance for state programs:	<u>Unmodified</u>
-------------------------------------------------------------------	-------------------

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2018-001: CALPADS Unduplicated Pupil Counts (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the English Learner (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted one student that was reported as having the English Learner designation for the 2017-18 fiscal year that was not eligible based on the District reclassification policy.

Context: We noted an error in only one school we tested.

Cause: We recognize that the District makes every attempt to comply with regulation; however, the District did not identify the student early on to start the reclassification process to get the student removed from CALPADS.

Questioned Costs: \$932. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

Program/Site:	Adjusted based on eligibility for:		Adjusted Total
	CALPADS	EL	
Van Buren Elementary	517	(1)	516
Aggregate remaining sites	14,808	-	14,808
District-wide	15,325	(1)	15,324

The enrollment count of 19,077 was not impacted as a result of the procedures performed.

JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-001: CALPADS Unduplicated Pupil Counts (40000) (continued)

Recommendation: We recommend that the Language Services department identify English Proficient Students early so they can be reclassified and removed from the CALPADS system.

Views of Responsible Officials: The District has implemented new software system verifications as well as a new reconciliation process to aid in the proper reporting of EL data to CALPADS.

JURUPA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2017 - 001: CALPADS Unduplicated Pupil Counts</i>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of “unduplicated pupils” enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1)(B) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the Free and Reduced Price Meal (FRPM) eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted two students who were classified as FRPM eligible, but did not have an application or income eligibility form on file to support the designation.</p>	40000	<p>We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.</p>	<p>Implemented; however, see Finding 2018-001.</p>



To the Board of Education
Jurupa Unified School District
Jurupa Valley, California

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

However, during our audit we noted matters that are an opportunity 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 October 16, 2018, on the financial statements of Jurupa Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our test of cash disbursements, we noted isolated instances at each school of disbursements selected in our sample that were not approved by the district representative, the ASB advisor, and/or the student representative and/or were not pre-approved.

Recommendation: Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

Observation: During our testing of cash disbursements at Jurupa Middle School, we noted that 3 of the 10 disbursements tested lacked evidence of receipt of goods or services.

Recommendation: We recommend that the site document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing “ok to pay” or “received” and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.

Observation: During our cash receipts testing, we noted instances where cash collections lacked adequate supporting documentation to trace the receipt from the point of collection. Without supporting documentation for the transactions, we could not verify whether all cash collected had been deposited intact and into the correct ASB account on a timely basis. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Recommendation: We recommend that before any events are held, control procedures should be established by the club advisors that will allow for the reconciliation between money collected and fundraiser sales. In the event that pre-numbered receipt books are utilized, it is important that bookkeepers keep a log of receipt numbers, account for all receipts issued, and reconcile the receipts to the funds collected to ensure that all funds are accounted for.

CASH RECEIPTS

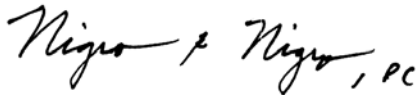
Observation: During our cash receipts testing we noted instances where cash receipts were not deposited to the bank in a timely manner. We noted supporting documentation such as receipts, tally sheets, logs, etc. that were dated months prior to being deposited to the bank.

Recommendation: We recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because many thefts often occur during these times.

Observation: Through inquiry at **Jurupa Valley High, Patriot High** and **Rubidoux High**, we noted that online fundraising sites are being used. We noted that only the advisors have access to the sites and that the bookkeeper only receives a check at the end of the fundraising period to be deposited.

Recommendation: We recommend that the District implement a board policy with regards to online fundraising as it is an emerging issue. We recommend that the bookkeeper and advisor create one account that is used for all clubs so that it can be tracked more easily. In addition, at the end of the fundraising period, the bookkeeper should print a statement of all the donations or amounts sold and file as supporting documentation for the deposit.

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



Murrieta, California
October 16, 2018