



Financial Statements  
June 30, 2020

## El Monte Union High School District

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## Independent Auditor's Report

To the Governing Board  
El Monte Union High School District  
El Monte, 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 El Monte Union High School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 El Monte Union High School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 71, schedule of the District's proportionate share of the net pension liability on page 72, and the schedule of District contributions on page 73, 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 El Monte Union High School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2021 on our consideration of El Monte Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Monte Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Monte Union High School District's internal control over financial reporting and compliance.

Handwritten signature of Edie Bailly LLP in cursive script.

Rancho Cucamonga, California  
February 25, 2021

This section of El Monte Union High School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

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

## **REPORTING THE DISTRICT AS A WHOLE**

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

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

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

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

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

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

## THE DISTRICT AS A TRUSTEE

### Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## FINANCIAL HIGHLIGHTS

The total regular operating expenditures of the El Monte Union High School District, including capital outlay, other outgo, and transfer of indirect costs (object codes 6000-7399), when expressed in dollars per student, exceeded that of the average California High School District in fiscal year 2018-2019. <sup>(1)</sup> Measured by Education Code Section 41372, better known as the Current Expense of Education, the district expended over \$1,000 more per ADA when compared to high school districts statewide during the same period.

The district can commit additional resources based on the fact that in the five years leading into the 2019-2020 school year, the El Monte Union High School District per-student General Fund revenues consistently exceeded the average for all districts in the State of California and the average for High School District statewide by over \$1,250. <sup>(2)</sup>

In December 2019 the district celebrated a groundbreaking on a \$13 million Multipurpose Building/Gymnasium funded primarily by the Measure HS bond approved by voters in November 2018.

In January 2020 the district was one of three across the state awarded \$9.8 million in grant funding by the California Air Resources Board for the Clean Mobility in Schools project promoting zero-emission transportation. The scope includes purchasing 11 electric buses, 10 electric utility vehicles and building the infrastructure for electric charging buses, electric battery storages at every district school site

Led by the vision of its Board, the El Monte Union High School District takes an active role in readying the community to help its students navigate the future. Academic programs and new initiatives, such as Access for All, enhance and transform education for its youth preparing for college and career. None too soon did the district begin a 1:1 digital learning initiative to provide pupils with 21<sup>st</sup> century tools before the COVID-19 pandemic challenged students, parents, staff, and the community in their steadfast pursuit of academic goals. Home to the 2019 CIF State Girls Soccer Champions, the South El Monte Eagles, and CIF State Division 5-AA Football Champions, the El Monte High School Lions, and with the district's five comprehensive high schools graduation rate over 90%, it is no wonder that the U.S. News & World Report listed the district's high schools among the top-performing public high schools in the state and nation.

#### Sources:

1. California Department of Education, School Fiscal Services Division: SACS Unaudited Actual Data.
2. Ibid.

## THE DISTRICT AS A WHOLE

### Net Position

The District's net position was \$20,356,514 for the fiscal year ended June 30, 2020. Of this amount, \$(122,681,115) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2020	2019
<b>Assets</b>		
Current and other assets	\$ 163,680,920	\$ 167,592,572
Capital assets	223,005,499	220,403,643
Total assets	386,686,419	387,996,215
Deferred outflows of resources	44,902,621	50,955,641
<b>Liabilities</b>		
Current liabilities	18,595,205	29,029,588
Long-term liabilities	376,210,024	378,380,351
Total liabilities	394,805,229	407,409,939
Deferred inflows of resources	16,427,297	9,342,795
<b>Net Position</b>		
Net investment in capital assets	123,471,396	87,134,679
Restricted	19,198,745	27,124,662
Unrestricted (deficit)	(122,313,627)	(92,060,219)
Total net position	\$ 20,356,514	\$ 22,199,122

The \$(122,681,115) in unrestricted (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 33.2 percent (\$(122,681,115) compared to \$(92,060,219)).

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 14. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 204,165	\$ 538,898
Operating grants and contributions	36,068,962	28,196,458
General revenues		
Federal and State aid not restricted	87,646,034	91,232,175
Property taxes	39,145,122	35,005,666
Other general revenues	7,258,064	8,627,649
Total revenues	<u>170,322,347</u>	<u>163,600,846</u>
Expenses		
Instruction-related	108,452,590	98,968,456
Pupil services	23,375,863	22,509,130
Administration	9,181,009	10,356,961
Plant services	18,293,248	20,325,672
Other	12,862,245	11,292,874
Total expenses	<u>172,164,955</u>	<u>163,453,093</u>
Change in net position	<u>\$ (1,842,608)</u>	<u>\$ 147,753</u>

### Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$172,164,955. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$39,145,122 because the cost was paid by those who benefited from the programs (\$204,165) or by other governments and organizations who subsidized certain programs with grants and contributions (\$36,068,962). We paid for the remaining "public benefit" portion of our governmental activities with \$94,904,098 in State funds, and with other revenues, like interest and general entitlements.

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 108,452,590	\$ 98,968,456	\$ 82,363,471	\$ 80,665,534
Pupil services	23,375,863	22,509,130	15,955,608	14,857,700
Administration	9,181,009	10,356,961	8,164,476	9,362,810
Plant services	18,293,248	20,325,672	16,978,852	18,936,564
All other services	12,862,245	11,292,874	12,429,421	10,895,129
Total	<u>\$ 172,164,955</u>	<u>\$ 163,453,093</u>	<u>\$ 135,891,828</u>	<u>\$ 134,717,737</u>

#### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$145,827,098 which is a decrease of \$8,839,417 from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General	\$ 45,275,121	\$ 129,531,658	\$ 130,395,885	\$ 44,410,894
Adult Education	9,764,410	12,738,151	12,485,407	10,017,154
Cafeteria	974,216	4,641,863	4,894,667	721,412
Deferred Maintenance	7,118,203	603,236	2,658,898	5,062,541
Building	75,821,385	2,884,284	5,941,986	72,763,683
Capital Facilities	1,918,372	618,515	1,338,631	1,198,256
Special Reserve Fund for Capital Outlay Projects	4,787,135	968,706	529,616	5,226,225
Bond Interest and Redemption	9,007,673	17,893,855	20,474,595	6,426,933
Total	<u>\$ 154,666,515</u>	<u>\$ 169,880,268</u>	<u>\$ 178,719,685</u>	<u>\$ 145,827,098</u>

The primary reasons for these decreases are:

1. Declining enrollment
2. Collective Bargaining Agreements
3. Spending down of prior year ending balances under the Local Control Accountability Plan
4. Bond construction projects and facilities improvements

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the 2019-2020 budget was made to the unaudited actuals adopted on September 4, 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 69).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2020, the District had \$223,005,499 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$2,601,856, or 1.2 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 45,255,344	\$ 38,207,806
Buildings and improvements	172,296,483	176,980,220
Equipment	5,453,672	5,215,617
Total	<u>\$ 223,005,499</u>	<u>\$ 220,403,643</u>

This year's additions of \$12,323,083 included several vehicles, cafeteria equipment and classroom equipment such as computers. Proceeds from prior year's issuance of general obligation bonds will be used for modernization, renovation, and construction of various school facilities in accordance with voter approved measures. We present more detailed information about our capital assets in Note 5 to the financial statements.

### Long-Term Liabilities

At the end of this year, the District had \$376,210,024 in long-term liabilities outstanding versus \$393,690,789 last year, a decrease of 4.45 percent. We present more detailed information about our long-term obligation in Notes 9, 10, 14 to the financial statements. Those long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 188,629,328	\$ 199,729,681
Unamortized premiums/(discounts)	16,347,282	18,654,408
Lease purchase agreements	10,545,000	10,745,000
Compensated absences	1,312,475	1,112,436
Supplemental early retirement incentive	281,957	877,593
Net OPEB liability	29,146,625	25,581,938
Aggregate net pension liability	<u>129,947,357</u>	<u>136,989,733</u>
Total	<u>\$ 376,210,024</u>	<u>\$ 393,690,789</u>

The District's general obligation bond rating continues to be "Aa3." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$188,629,328 is significantly below the statutorily-imposed limit.

At year-end, the District has a net pension liability of \$129,947,357 versus \$136,989,733 last year, a decrease of \$7,042,376, or 5.1 percent.

Other liabilities include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Assumptions for the 2020-2021 Proposed Budget for include:

- Funding for the LCAP projected at \$24,456,963.
- Funding to address the needs of unduplicated counts of pupils which include English Learners, Free and Reduced-Price Eligible Students, and Foster Youth via the proportionality calculation.
- Step and column increase for employees effective July 1, 2020.
- A decrease in the employer contribution rate from 17.10% to 16.15% for CalSTRS, and an increase in the employer contribution rate from 19.721% to 20.70% for CalPERS.
- Contributions to restricted maintenance equivalent to 3% of general fund expenditures.
- Mandated Block Grant funding at \$61.94/ADA

Multi-year projections for the two subsequent years, FY 2021-2022 and FY 2022-2023, include:

- Continued 100% implementation of the LCFF funding model.
- Funding for unduplicated counts of pupils based on the proportionality calculation.
- Increased contributions to restricted maintenance at the minimum 3% equivalent of general fund expenditures in the prior fiscal period.
- Additional 5% increase through multi-years for all utilities, Property & Liability, and 5% for Health & Welfare benefits.

The sum of inter-fund transfers to Funds 14 and 21 in FY 2020-2021 is projected at \$1,209,378, in FY 2021-2022 projected at \$730,904, and in FY 2022-2023 projected at \$761,244.

Enrollment, ADA, and Staff planning factors by fiscal year are available online on the District's website.

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at El Monte Union High School District, located at 3537 Johnson Ave., El Monte, California, 91731, or e-mail at [wael.elatar@emuhsd.org](mailto:wael.elatar@emuhsd.org).

El Monte Union High School District  
Statement of Net Position  
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 145,877,100
Receivables	16,520,495
Stores inventories	638,704
Other current assets	644,621
Capital assets not depreciated	45,255,344
Capital assets, net of accumulated depreciation	<u>177,750,155</u>
Total assets	<u>386,686,419</u>
Deferred Outflows of Resources	
Deferred charge on refunding	6,320,726
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	2,685,278
Deferred outflows of resources related to pensions	<u>35,896,617</u>
Total deferred outflows of resources	<u>44,902,621</u>
Liabilities	
Accounts payable	16,540,032
Interest payable	741,383
Unearned revenue	1,313,790
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	12,521,957
Long-term liabilities other than OPEB and pensions due in more than one year	204,594,085
Other postemployment benefits liabilities	29,146,625
Aggregate net pension liabilities	<u>129,947,357</u>
Total liabilities	<u>394,805,229</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>16,427,297</u>
Net Position	
Net investment in capital assets	123,471,396
Restricted for	
Debt service	5,685,550
Capital projects	1,198,256
Educational programs	1,721,791
Adult education	9,902,890
Other restrictions	690,258
Unrestricted	<u>(122,313,627)</u>
Total net position	<u>\$ 20,356,514</u>

# El Monte Union High School District

Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 89,917,942	\$ 30,924	\$ 19,497,469	\$ (70,389,549)
Instruction-related activities				
Supervision of instruction	6,714,345	5,403	3,009,486	(3,699,456)
Instructional library, media, and technology	1,500,940	37	69,614	(1,431,289)
School site administration	10,319,363	15,791	3,460,395	(6,843,177)
Pupil services				
Home-to-school transportation	2,687,569	-	4,715	(2,682,854)
Food services	5,303,399	10,466	4,660,094	(632,839)
All other pupil services	15,384,895	4,156	2,740,824	(12,639,915)
Administration				
Data processing	2,249,893	5,168	66,499	(2,178,226)
All other administration	6,931,116	4,181	940,685	(5,986,250)
Plant services	18,293,248	30,160	1,284,236	(16,978,852)
Ancillary services	3,315,663	10,706	84,490	(3,220,467)
Community services	54,525	6,108	13,378	(35,039)
Enterprise services	807	-	-	(807)
Interest on long-term liabilities	7,933,657	-	-	(7,933,657)
Other outgo	1,557,593	81,065	237,077	(1,239,451)
Total governmental activities	<u>\$ 172,164,955</u>	<u>\$ 204,165</u>	<u>\$ 36,068,962</u>	<u>(135,891,828)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				20,738,462
Property taxes, levied for debt service				17,640,539
Taxes levied for other specific purposes				766,121
Federal and State aid not restricted to specific purposes				87,646,034
Interest and investment earnings				1,364,261
Miscellaneous				5,893,803
Subtotal, general revenues				<u>134,049,220</u>
Change in Net Position				(1,842,608)
Net Position - Beginning				<u>22,199,122</u>
Net Position - Ending				<u>\$ 20,356,514</u>

# El Monte Union High School District

## Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 44,166,857	\$73,439,089	\$ 6,426,933	\$ 21,844,221	\$145,877,100
Receivables	13,737,702	450,207	-	2,332,586	16,520,495
Stores inventories	498,586	-	-	140,118	638,704
Other current assets	644,621	-	-	-	644,621
<b>Total assets</b>	<b>\$ 59,047,766</b>	<b>\$73,889,296</b>	<b>\$ 6,426,933</b>	<b>\$ 24,316,925</b>	<b>\$163,680,920</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 13,323,082	\$ 1,125,613	\$ -	\$ 2,091,337	\$ 16,540,032
Unearned revenue	1,313,790	-	-	-	1,313,790
<b>Total liabilities</b>	<b>14,636,872</b>	<b>1,125,613</b>	<b>-</b>	<b>2,091,337</b>	<b>17,853,822</b>
<b>Fund Balances</b>					
Nonspendable	528,586	-	-	145,418	674,004
Restricted	1,721,791	72,763,683	6,426,933	11,791,404	92,703,811
Committed	-	-	-	5,062,541	5,062,541
Assigned	12,726,355	-	-	5,226,225	17,952,580
Unassigned	29,434,162	-	-	-	29,434,162
<b>Total fund balances</b>	<b>44,410,894</b>	<b>72,763,683</b>	<b>6,426,933</b>	<b>22,225,588</b>	<b>145,827,098</b>
<b>Total liabilities and fund balances</b>	<b>\$ 59,047,766</b>	<b>\$73,889,296</b>	<b>\$ 6,426,933</b>	<b>\$ 24,316,925</b>	<b>\$163,680,920</b>

El Monte Union High School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2020

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Total Fund Balance - Governmental Funds \$ 145,827,098

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported as assets in  
governmental funds.

The cost of capital assets is	\$ 349,611,744	
Accumulated depreciation is	<u>(126,606,245)</u>	

Net capital assets		223,005,499
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In governmental funds, unmatured interest on long-term  
liabilities is recognized in the period when it is due. On the  
government-wide financial statements, unmatured interest on  
long-term liabilities is recognized when it is incurred. (741,383)

Deferred outflows of resources represent a consumption of net  
position in a future period and is not reported in the governmental  
funds. Deferred outflows of resources amounted to and related to

Debt refundings	6,320,726	
Other postemployment benefits	2,685,278	
Net pension obligation	<u>35,896,617</u>	

Total deferred outflows of resources		44,902,621
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Deferred inflows of resources represent an acquisition of net position  
that applies to a future period and is not reported in the governmental  
funds. Deferred inflows of resources amount to and related to

Net pension obligation		(16,427,297)
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Net pension liability is not due and payable in the current period,  
and is not reported as a liability in the funds. (129,947,357)

The District's OPEB liability is not due and payable in the current period,  
and is not reported as a liability in the funds. (29,146,625)

El Monte Union High School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2020

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Long-term liabilities 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	\$ (172,816,230)
Unamortized premium on issuance	(16,455,539)
Unamortized discount on issuance	108,257
Lease purchase agreement	(10,545,000)
Compensated absences (vacations)	(1,312,475)
Supplemental early retirement incentive (SERP)	(281,957)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(15,813,098)

Total long-term liabilities	<u>(217,116,042)</u>
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Total net position - governmental activities	<u><u>\$ 20,356,514</u></u>
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El Monte Union High School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$106,538,653	\$ -	\$ -	\$ -	\$ 106,538,653
Federal sources	5,671,905	-	-	5,776,231	11,448,136
Other State sources	9,988,129	-	114,262	11,285,345	21,387,736
Other local sources	7,332,971	2,160,596	17,779,593	2,008,895	29,282,055
Total revenues	129,531,658	2,160,596	17,893,855	19,070,471	168,656,580
Expenditures					
Current					
Instruction	70,906,502	-	-	6,739,509	77,646,011
Instruction-related activities					
Supervision of instruction	5,322,162	-	-	943,920	6,266,082
Instructional library, media, and technology	1,393,609	-	-	-	1,393,609
School site administration	6,682,017	-	-	2,751,671	9,433,688
Pupil services					
Home-to-school transportation	2,600,502	-	-	-	2,600,502
Food services	331,627	-	-	4,834,628	5,166,255
All other pupil services	13,912,616	-	-	337,470	14,250,086
Administration					
Data processing	2,142,106	-	-	-	2,142,106
All other administration	5,699,369	-	-	554,100	6,253,469
Plant services	15,388,999	367,488	-	1,937,943	17,694,430
Ancillary services	3,186,072	-	-	-	3,186,072
Community services	54,525	-	-	-	54,525
Other outgo	333,905	-	-	-	333,905
Enterprise services	-	-	-	806	806
Facility acquisition and construction	1,218,186	4,850,810	-	3,807,172	9,876,168
Debt service					
Principal	-	200,000	13,590,000	-	13,790,000
Interest and other	-	523,688	6,884,595	-	7,408,283
Total expenditures	129,172,197	5,941,986	20,474,595	21,907,219	177,495,997
Excess (Deficiency) of Revenues Over Expenditures	359,461	(3,781,390)	(2,580,740)	(2,836,748)	(8,839,417)
Other Financing Sources (Uses)					
Transfers in	-	723,688	-	500,000	1,223,688
Transfers out	(1,223,688)	-	-	-	(1,223,688)
Net Financing Sources (Uses)	(1,223,688)	723,688	-	500,000	-
Net Change in Fund Balances	(864,227)	(3,057,702)	(2,580,740)	(2,336,748)	(8,839,417)
Fund Balance - Beginning	45,275,121	75,821,385	9,007,673	24,562,336	154,666,515
Fund Balance - Ending	\$ 44,410,894	\$72,763,683	\$ 6,426,933	\$ 22,225,588	\$ 145,827,098

See Notes to Financial Statements

El Monte Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2020

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Total Net Change in Fund Balances - Governmental Funds \$ (8,839,417)

Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because

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

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

Capital outlays	\$ 10,380,515	
Depreciation expense	<u>(7,778,659)</u>	

Net expense adjustment		2,601,856
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (2,489,647)

In the Statement of Activities, certain operating expenses, such as special termination benefits (SERP) 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 amount is the difference between SERP earned and used. 595,636

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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 amount is the difference between vacation earned and used. (200,039)

El Monte Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2020

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

\$ (6,253,670)

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

(3,011,600)

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

Premium amortization	2,311,457
Discount amortization	(4,331)
Deferred amount on refunding amortization	(394,563)

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

General obligation bonds	13,590,000
Lease purchase agreement	200,000

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

51,710

Change in net position of governmental activities	<u><u>\$ (1,842,608)</u></u>
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El Monte Union High School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2020

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	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$     875,038</u>
Liabilities	
Due to student groups	<u>\$     875,038</u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The El Monte Union High School District (the District) was organized in 1901 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District operates five high schools, a continuation high school, an independent study program, a community day school, and an adult education program.

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, boards, and agencies that are not legally separate from the District. For El Monte Union High School District, this includes general operations, food service, and student related activities of the District.

### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. 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 unit(s) described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it was part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The District has a financial and operational relationship with the Public Property Financing Corporation of California, as presented by the lease purchase agreement liability. The financial activity with respect to the lease purchase agreement liability is presented in the financial statements within the Building Fund. The lease purchase agreement liability is included as a long-term obligation in the government-wide financial statements.

### **Basis of Presentation - Fund Accounting**

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

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

### Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in fund balance of \$7,266,862.

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

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

### Non-Major Governmental Funds

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

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

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

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the Los Angeles County Treasury Investment Pool is determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

**Interfund Balances**

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

**Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

**Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

**Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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

**Pensions**

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

**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 District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Fund Balances - Governmental Funds**

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

**Fund Balances - Governmental Funds**

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

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

**Minimum Fund Balance Policy**

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2020. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$19,198,745 of restricted net position, which is restricted by enabling legislation.

**Interfund Activity**

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

**Estimates**

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

**Property Tax**

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

### **Change in Accounting Principles**

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

### **New Accounting Pronouncements**

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

## **Note 2 - Deposits and Investments**

### **Summary of Deposits and Investments**

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 145,877,100
Fiduciary funds	<u>875,038</u>
Total deposits and investments	<u><u>\$ 146,752,138</u></u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 875,038
Cash in revolving	35,300
Investments	<u>145,841,800</u>
Total deposits and investments	<u><u>\$ 146,752,138</u></u>

### **Policies and Practices**

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

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

### General Authorizations

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

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

### Interest Rate Risk

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

**Specific Identification**

The District maintains an investment of \$145,841,800 with the Los Angeles County Treasury Investment Pool which has an average weighted maturity of 590 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balances were within federally insured limits.

**Note 3 - Receivables**

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 2,758,679	\$ -	\$ 1,013,772	\$ 3,772,451
State Government				
LCFF apportionment	9,706,422	-	-	9,706,422
Categorical aid	300,351	-	906,828	1,207,179
Lottery	421,821	-	-	421,821
Local Government				
Interest	125,752	450,207	323,893	899,852
SELPA	316,488	-	-	316,488
Other local sources	108,189	-	88,093	196,282
Total	<u>\$ 13,737,702</u>	<u>\$ 450,207</u>	<u>\$ 2,332,586</u>	<u>\$ 16,520,495</u>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 9,439,111	\$ -	\$ -	\$ 9,439,111
Construction in progress	28,768,695	8,990,106	(1,942,568)	35,816,233
<b>Total capital assets not being depreciated</b>	<b>38,207,806</b>	<b>8,990,106</b>	<b>(1,942,568)</b>	<b>45,255,344</b>
Capital assets being depreciated				
Land improvements	5,971,385	-	-	5,971,385
Buildings and improvements	271,321,951	1,942,568	-	273,264,519
Furniture and equipment	23,730,087	1,390,409	-	25,120,496
<b>Total capital assets being depreciated</b>	<b>301,023,423</b>	<b>3,332,977</b>	<b>-</b>	<b>304,356,400</b>
<b>Total capital assets</b>	<b>339,231,229</b>	<b>12,323,083</b>	<b>(1,942,568)</b>	<b>349,611,744</b>
Accumulated depreciation				
Land improvements	(4,613,869)	(128,645)	-	(4,742,514)
Buildings and improvements	(95,699,247)	(6,497,660)	-	(102,196,907)
Furniture and equipment	(18,514,470)	(1,152,354)	-	(19,666,824)
<b>Total accumulated depreciation</b>	<b>(118,827,586)</b>	<b>(7,778,659)</b>	<b>-</b>	<b>(126,606,245)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 220,403,643</b>	<b>\$ 4,544,424</b>	<b>\$ (1,942,568)</b>	<b>\$ 223,005,499</b>

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 6,611,861
School site administration	194,466
All other pupil services	194,466
All other administration	388,933
Plant services	388,933
<b>Total depreciation expenses governmental activities</b>	<b>\$ 7,778,659</b>

**Note 5 - Interfund Transactions**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to set aside money for future maintenance projects.	\$ 500,000
The General Fund transferred to the Building for qualifying capital outlay costs.	<u>723,688</u>
Total	<u><u>\$ 1,223,688</u></u>

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 4,318,090	\$ 4,623	\$ 276,246	\$ 4,598,959
State LCFF apportionment	4,480,414	-	-	4,480,414
Materials and supplies	1,506,483	110,683	122,530	1,739,696
Services	2,097,700	75,646	15,117	2,188,463
Capital outlay	-	934,661	1,368,144	2,302,805
Due to other LEAs	-	-	305,311	305,311
Due to JPAs	817,013	-	-	817,013
Other vendor payables	103,382	-	3,989	107,371
Total	<u><u>\$ 13,323,082</u></u>	<u><u>\$ 1,125,613</u></u>	<u><u>\$ 2,091,337</u></u>	<u><u>\$ 16,540,032</u></u>

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund
State categorical aid	\$ 1,215,242
Other local	<u>98,548</u>
Total	<u><u>\$ 1,313,790</u></u>

**Note 8 - Long-Term Liabilities other than OPEB and Pensions****Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 199,729,681	\$ 2,489,647	\$ (13,590,000)	\$ 188,629,328	\$ 12,045,000
Premium on issuance	18,766,996	-	(2,311,457)	16,455,539	-
Discount on issuance	(112,588)	-	4,331	(108,257)	-
Lease purchase agreement	10,745,000	-	(200,000)	10,545,000	195,000
Compensated absences	1,112,436	200,039	-	1,312,475	-
Supplemental early retirement incentive	877,593	-	(595,636)	281,957	281,957
Total	<u>\$ 231,119,118</u>	<u>\$ 2,689,686</u>	<u>\$ (16,692,762)</u>	<u>\$ 217,116,042</u>	<u>\$ 12,521,957</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Payments on the lease purchase agreement and supplemental early retirement incentive are made by the General Fund. The compensated absences will be paid by the General Fund, Building Fund, Adult Education Fund, and the Cafeteria Fund.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
8/9/2012	6/1/2042	1.68 - 7.00%	\$30,337,787	\$ 43,275,484	\$ -	\$ 2,428,336	\$ (285,000)	\$ 45,418,820
9/2/2015	6/1/2032	2.00 - 5.25%	27,195,000	25,830,000	-	-	(370,000)	25,460,000
3/4/2016	6/1/2021	3.00 - 5.00%	28,755,000	10,765,000	-	-	(6,885,000)	3,880,000
3/16/2016	6/1/2022	2.00 - 4.00%	5,260,000	4,165,000	-	-	(1,615,000)	2,550,000
3/16/2016	6/1/2034	2.00 - 5.00%	49,545,000	48,525,000	-	-	(100,000)	48,425,000
11/2/2017	6/1/2043	3.00 - 4.16%	10,895,098	10,739,197	-	61,311	(150,000)	10,650,508
5/7/2019	6/1/2049	4.00 - 5.00%	56,430,000	56,430,000	-	-	(4,185,000)	52,245,000
				<u>\$199,729,681</u>	<u>\$ -</u>	<u>\$ 2,489,647</u>	<u>\$(13,590,000)</u>	<u>\$ 188,629,328</u>

**2008, General Obligation Bonds, Series B**

On August 9, 2012, El Monte Union High School District issued the 2008 General Obligation Bonds, Series B in the amount of \$30,337,787. The Series B bonds were issued as both capital appreciation and current interest bonds. The capital appreciation bonds were issued in the amount of \$28,572,787 with an accretion value of \$90,962,213 and an aggregate principal debt service balance of \$121,300,000. The bonds were issued at an aggregate price of \$31,435,668 (representing the principal amount of \$30,337,787 plus an original issuance premium of \$1,789,819, less cost of issuance of \$691,938). The bonds have a final maturity to occur on June 1, 2042 and interest rates of 1.68 to 7.00 percent. Proceeds from the sale of bonds were used to advance refund the District's 2011 Bond Anticipation Notes. At June 30, 2020, the principal outstanding, including accreted interest, was \$45,418,820. Unamortized premium on issuance amounted to \$1,312,530.

**2015 General Obligation Refunding Bonds**

On September 2, 2015, El Monte Union High School District issued the 2015 General Obligation Refunding Bonds in the amount of \$27,195,000. The Refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$30,469,235 (representing the principal amount of \$27,195,000 plus an original issuance premium of \$3,504,885, less cost of issuance of \$230,650). The bonds have a final maturity to occur on June 1, 2032 and interest rates of 2.00 to 5.25 percent. Proceeds from the sale of bonds were used to provide current refunding of the District's outstanding 2002 General Obligation Bonds, Series A and advance refund the District's outstanding 2002 General obligation Bonds, Series C. The refunding resulted in a cumulative cash flow saving of \$3,395,588 over the life of the new debt and an economic gain of \$2,461,338 based on the difference between the present value of the existing debt service requirements and new debt service requirements. At June 30, 2020, the principal outstanding was \$25,460,000. Unamortized premium on issuance and deferred amount on refunding amounted to \$2,474,035 and \$893,944, respectively.

**2016 General Obligation Refunding Bonds (Delayed Delivery)**

On March 4, 2016, El Monte Union High School District issued the 2016 General Obligation Refunding Bonds (Delayed Deliver) in the amount of \$28,755,000. The Refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$31,148,844 (representing the principal amount of \$28,755,000 plus an original issuance premium of \$2,633,265, less cost of issuance of \$239,421). The bonds have a final maturity to occur on June 1, 2021 and interest rates of 3.00 to 5.00 percent. Proceeds from the sale of bonds were used to provide current refunding of the District's outstanding 2006 General Obligation Refunding Bonds. The refunding resulted in a cumulative cash flow saving of \$3,322,181 over the life of the new debt and an economic gain of \$2,970,446 based on the difference between the present value of the existing debt service requirements and new debt service requirements. At June 30, 2020, the principal outstanding was \$3,880,000. Unamortized premium on issuance amounted to \$526,653.

**2008 General Obligation Bonds, Series C**

On March 16, 2016, El Monte Union High School District issued the 2008 General Obligation Bonds, Series C in the amount of \$5,260,000. The Series C bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$5,774,110 (representing the principal amount of \$5,260,000 plus an original issuance premium of \$574,591, less cost of issuance of \$60,481). The bonds have a final maturity to occur on June 1, 2022 and interest rates of 2.00 to 4.00 percent. Proceeds from the sale of bonds were used to modernize, repair, and construct school facilities. At June 30, 2020, the principal outstanding was \$2,550,000. Unamortized premium on issuance amounted to \$191,531.

**2016 General Obligation Refunding Bonds**

On March 16, 2016, El Monte Union High School District issued the 2016 General Obligation Refunding Bonds in the amount of \$49,545,000. The Refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$56,854,917 (representing the principal amount of \$49,545,000 plus an original issuance premium of \$7,679,825, less cost of issuance of \$369,908). The bonds have a final maturity to occur on June 1, 2034 and interest rates of 2.00 to 5.00 percent. Proceeds from the sale of bonds were used to provide advance refunding of the District's outstanding 2008 General Obligation Bonds, Series A. The refunding resulted in a cumulative cash flow saving of \$9,812,075 over the life of the new debt and an economic gain of \$6,527,937 based on the difference between the present value of the existing debt service requirements and new debt service requirements. At June 30, 2020, the principal outstanding was \$48,425,000. Unamortized premium on issuance and deferred amount on refunding amounted to \$5,973,197 and \$5,426,782, respectively.

**2008 General Obligation Bonds, Series D**

On November 2, 2017, El Monte Union High School District issued the 2008 General Obligation Bonds, Series D in the amount of \$10,895,098. The Series D bonds were issued as both current interest bonds and capital appreciation bonds. The capital appreciation bonds were issued in the amount of \$1,430,098 with an accretion value of \$1,754,902 and an aggregate principal debt balance of \$3,185,000. The bonds were issued at an aggregate price of \$10,527,797 (representing the principal amount of \$10,895,095 less an original issuance discount of \$122,378 and cost of issuance of \$244,923). The bonds have a final maturity to occur on June 1, 2043 and interest rates of 3.00 to 4.16 percent. Proceeds from the sale of bonds were used to modernize, repair, and construct school facilities. At June 30, 2020, the principal outstanding, including accreted interest, was \$10,650,508. Unamortized discount on issuance amounted to \$108,257.

**2018 General Obligation Bonds, Series A**

On May 7, 2019, El Monte Union High School District issued the 2018 General Obligation Bonds, Series A in the amount of \$56,430,000. The Series A bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$62,022,997 (representing the principal amount of \$56,430,000 plus an original issuance premium of \$6,183,717, less cost of issuance of \$590,720). The bonds have a final maturity to occur on June 1, 2049 and interest rates of 4.00 to 5.00 percent. Proceeds from the sale of bonds were used to modernize, repair, and construct school facilities. At June 30, 2020, the principal outstanding was \$52,245,000. Unamortized premium on issuance amounted to \$2,474,035.

### Debt Service Requirements to Maturity

The bonds mature through 2049 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Interest to Maturity	Total
2021	\$ 12,455,022	\$ 14,978	\$ 6,313,069	\$ 18,783,069
2022	8,183,142	41,858	5,820,819	14,045,819
2023	4,791,504	83,496	5,541,219	10,416,219
2024	5,227,203	142,797	5,334,719	10,704,719
2025	5,645,894	219,106	5,110,719	10,975,719
2026-2030	36,725,885	2,884,115	21,458,931	61,068,931
2031-2035	41,055,736	10,939,264	13,368,506	65,363,506
2036-2040	15,562,623	14,832,377	9,571,650	39,966,650
2041-2045	42,267,319	49,472,681	6,949,550	98,689,550
2046-2049	16,715,000	-	2,184,750	18,899,750
Total	<u>\$ 188,629,328</u>	<u>\$ 78,630,672</u>	<u>\$ 81,653,932</u>	<u>\$ 348,913,932</u>

### Lease Purchase Agreement

On December 1, 2017, El Monte Union High School District entered into a lease purchase agreement with the Public Property Financing Corporation of California in order to finance the acquisition, construction, and installation of solar photovoltaic systems at Arroyo High School, Mountain View High School, Rosemead High School, South El Monte High School, and Rosemead Adult School. Under the agreement, semi-annual debt services payment will commence beginning August 1, 2018 and end on August 1, 2042.

Future lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 195,000	\$ 514,378	\$ 709,378
2022	205,000	504,700	709,700
2023	240,000	494,288	734,288
2024	260,000	482,283	742,283
2025	280,000	469,298	749,298
2026-2030	1,785,000	2,110,553	3,895,553
2031-2035	2,500,000	1,597,033	4,097,033
2036-2040	3,280,000	895,965	4,175,965
2041-2043	1,800,000	132,913	1,932,913
Total	<u>\$ 10,545,000</u>	<u>\$ 7,201,411</u>	<u>\$ 17,746,411</u>

### Supplemental Early Retirement Incentive

During 2016-2017 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided annuities to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement System and the California State Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities were purchased for 21 employees who retired during the 2016-2017 school year. As of June 30, 2020, the remaining balance of the supplemental early retirement plan was \$281,957.

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$1,312,475.

### Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 28,532,028	\$ 2,685,278	\$ -	\$ 2,493,757
Medicare Premium Payment (MPP) Program	614,597	-	-	614,597
Total	<u>\$ 29,146,625</u>	<u>\$ 2,685,278</u>	<u>\$ -</u>	<u>\$ 3,108,354</u>

The details of each plan are as follows:

#### District Plan

#### Plan Administration

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

### Plan Membership

At July 1, 2018, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	59
Active employees	<u>827</u>
Total	<u><u>886</u></u>

### Benefits Provided

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

### Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the El Monte Union Educators Association (EMUEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, EMUEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid \$646,386 in benefits.

### Total OPEB Liability of the District

The District's total OPEB liability of \$28,532,028 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

### Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2018 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2.45 percent
Healthcare cost trend rates	5.25 percent for 2020

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

Mortality rates were based on the RP-2014 employee mortality table. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2018.

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	\$ 25,581,938
Service cost	1,264,218
Interest	830,247
Changes of assumptions or other inputs	1,502,011
Benefit payments	(646,386)
Net change in total OPEB liability	2,950,090
Balance, June 30, 2020	\$ 28,532,028

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent in 2019 to 2.45 percent in 2020 and change in health care trend rate of 5.50 percent in 2019 to 5.25 percent in 2020.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.45%)	\$ 30,850,820
Current discount rate (2.45%)	28,532,028
1% increase (3.45%)	26,346,094

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.25%)	\$ 25,015,087
Current healthcare cost trend rate (5.25%)	28,532,028
1% increase (6.25%)	32,681,166

### **OPEB Expense and Deferred Outflows of Resources**

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,685,278. At June 30, 2020, the District reported deferred outflows of resources for changes of assumptions of \$2,685,278.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	\$ 399,292
2022	399,292
2023	399,292
2024	399,292
2025	399,292
Thereafter	688,818
Total	<u>\$ 2,685,278</u>

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

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

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

**Net OPEB Liability and OPEB Expense**

At June 30, 2020, the District reported a liability of \$614,597 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.1650 percent, and 0.1785 percent, resulting in a net decrease in the proportionate share of 0.0135 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$614,597.

**Actuarial Methods and Assumptions**

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, 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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 670,666
Current discount rate (3.50%)	614,597
1% increase (4.50%)	563,044

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 576,061
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	614,597
1% increase (4.7% Part A and 5.1% Part B)	691,571

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 30,000	\$ -	\$ -	\$ 5,300	\$ 35,300
Stores inventories	498,586	-	-	140,118	638,704
Total nonspendable	528,586	-	-	145,418	674,004
<b>Restricted</b>					
Legally restricted programs	1,721,791	-	-	-	1,721,791
Adult education	-	-	-	9,902,890	9,902,890
Food service	-	-	-	690,258	690,258
Capital projects	-	72,763,683	-	1,198,256	73,961,939
Debt services	-	-	6,426,933	-	6,426,933
Total restricted	1,721,791	72,763,683	6,426,933	11,791,404	92,703,811
<b>Committed</b>					
Deferred maintenance program	-	-	-	5,062,541	5,062,541
<b>Assigned</b>					
Other	12,726,355	-	-	-	12,726,355
Capital outlay	-	-	-	5,226,225	5,226,225
Total assigned	12,726,355	-	-	5,226,225	17,952,580
<b>Unassigned</b>					
Reserve for economic uncertainties	22,167,300	-	-	-	22,167,300
Remaining unassigned	7,266,862	-	-	-	7,266,862
Total unassigned	29,434,162	-	-	-	29,434,162
<b>Total</b>	<u>\$ 44,410,894</u>	<u>\$ 72,763,683</u>	<u>\$ 6,426,933</u>	<u>\$ 22,225,588</u>	<u>\$ 145,827,098</u>

**Note 11 - Lease Revenues**

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2021	\$ 512,151
2022	310,173
2023	310,173
2024	310,173
2025	310,173
Thereafter	540,898
Total	<u>\$ 2,293,741</u>

**Note 12 - Risk Management**

The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPA's) for its health and welfare benefits, and property/liability insurance. Refer to Note 16 for additional information regarding the JPA's.

**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, 2020, the District participated in Merge Risk Management Joint Powers Authority (MERGE), public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured 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 2020, the District participated in Merge Risk Management Joint Powers Authority (MERGE), a public entity risk pool for workers' compensation insurance coverage. The intent of the MERGE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MERGE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERGE. Each participant pays its workers' compensation premium based on its individual rate.

### Employee Medical Benefits

The District has contracted with various commercial insurance carriers and participated in Southern California Schools Voluntary Employee Benefits Association (SCSVEBA), a public entity risk pool, to provide employee health benefits, including health, dental, vision, and other miscellaneous insurance. The District pays a monthly premium based on the number of employees enrolled using pre-negotiated premium for each of the commercial insurance carriers and rates established by SCSVEBA.

### Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 84,259,301	\$ 24,916,522	\$ 13,181,029	\$ 9,791,692
CalPERS	45,688,056	10,980,095	3,246,268	7,011,360
Total	<u>\$ 129,947,357</u>	<u>\$ 35,896,617</u>	<u>\$ 16,427,297</u>	<u>\$ 16,803,052</u>

The details of each plan are as follows:

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

## Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

## Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$9,303,778.

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

At June 30, 2020, 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

Proportionate share of net pension liability	\$ 84,259,301
State's proportionate share of the net pension liability	<u>45,969,074</u>
Total	<u><u>\$ 130,228,375</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0933 percent and 0.0994 percent, resulting in a net decrease in the proportionate share of 0.0061 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$9,791,692. In addition, the District recognized pension expense and revenue of \$6,845,786 for support provided by the State. At June 30, 2020, 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	\$ 9,303,778	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,743,074	7,561,005
Differences between projected and actual earnings on pension plan investments	-	3,245,695
Differences between expected and actual experience in the measurement of the total pension liability	212,710	2,374,329
Changes of assumptions	<u>10,656,960</u>	<u>-</u>
Total	<u><u>\$ 24,916,522</u></u>	<u><u>\$ 13,181,029</u></u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (327,384)
2022	(2,576,698)
2023	(534,963)
2024	193,350
Total	<u>\$ (3,245,695)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 1,624,297
2022	1,624,298
2023	1,598,142
2024	1,816,993
2025	(65,598)
Thereafter	(920,722)
Total	<u>\$ 5,677,410</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 125,469,074
Current discount rate (7.10%)	84,259,301
1% increase (8.10%)	50,088,551

**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, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

## Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	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%	7.00%
Required employer contribution rate	19.721%	19.721%

## Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$4,732,392.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$45,688,056. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1568 percent and 0.1710 percent, resulting in a net decrease in the proportionate share of 0.0142 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$7,011,360. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,732,392	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	754,023	2,822,503
Differences between projected and actual earnings on pension plan investments	-	423,765
Differences between expected and actual experience in the measurement of the total pension liability	3,318,787	-
Changes of assumptions	2,174,893	-
Total	<u>\$ 10,980,095</u>	<u>\$ 3,246,268</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 418,303
2022	(835,547)
2023	(126,617)
2024	120,096
Total	<u>\$ (423,765)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 2,626,394
2022	1,050,638
2023	(228,936)
2024	(22,896)
Total	<u>\$ 3,425,200</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 65,856,328
Current discount rate (7.15%)	45,688,056
1% increase (8.15%)	28,957,081

**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 \$6,403,707 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions have been recorded in these financial statements.

## **Note 14 - Commitments and Contingencies**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

### **Litigation**

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

### **Construction Commitments**

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Community education center	\$ 582,193	9/30/2020
District-wide HVAC replacement - phase II	2,117,535	10/30/2020
District-wide solar shaded shelters	1,225,235	12/31/2020
FRLHS multipurpose room	12,801,593	1/29/2021
MVHS gymnasium re-piping	350,900	10/30/2020
Total	<u>\$ 17,077,456</u>	

**Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions**

The District is a member of the Southern California Schools Voluntary Employee Benefits Association (SCSVEBA) and Merage Risk Management Public Entity Risk Pool (MERGE), public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2020, the District made payments of \$1,822,996 and \$12,521,009 to MERGE and SCSVEBA, respectively.

**Note 16 - Subsequent Events**

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information  
June 30, 2020

## El Monte Union High School District

El Monte Union High School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	\$ 105,198,809	\$ 106,828,928	\$ 106,538,653	\$ (290,275)
Federal sources	5,403,644	6,641,183	5,671,905	(969,278)
Other State sources	7,576,252	12,039,975	9,988,129	(2,051,846)
Other local sources	7,932,802	7,508,840	7,332,971	(175,869)
Total revenues <sup>1</sup>	126,111,507	133,018,926	129,531,658	(3,487,268)
Expenditures				
Current				
Certificated salaries	50,823,160	51,919,281	51,838,007	81,274
Classified salaries	20,906,017	21,263,315	21,078,546	184,769
Employee benefits	33,459,529	34,361,785	34,328,814	32,971
Books and supplies	7,717,739	9,146,567	5,723,478	3,423,089
Services and operating expenditures	19,419,346	17,758,253	14,682,034	3,076,219
Capital outlay	2,180,331	2,218,419	1,650,823	567,596
Other outgo	1,314,824	(16,830)	(129,505)	112,675
Total expenditures <sup>1</sup>	135,820,946	136,650,790	129,172,197	7,478,593
Excess (Deficiency) of Revenues Over Expenditures	(9,709,439)	(3,631,864)	359,461	3,991,325
Other Financing Uses				
Transfers out	(2,190,000)	(1,223,688)	(1,223,688)	-
Net Change in Fund Balances	(11,899,439)	(4,855,552)	(864,227)	3,991,325
Fund Balance - Beginning	45,275,121	45,275,121	45,275,121	-
Fund Balance - Ending	\$ 33,375,682	\$ 40,419,569	\$ 44,410,894	\$ 3,991,325

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets

El Monte Union High School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,264,218	\$ 1,095,821	\$ 1,095,821
Interest	830,247	891,978	894,069
Changes of assumptions	1,502,011	1,796,418	(1,363,348)
Benefit payments	(646,386)	(993,692)	(888,085)
Net change in total OPEB liability	2,950,090	2,790,525	(261,543)
Total OPEB Liability - Beginning	25,581,938	22,791,413	23,052,956
Total OPEB Liability - Ending	\$ 28,532,028	\$ 25,581,938	\$ 22,791,413
Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Total OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

El Monte Union High School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1650%	0.1785%	0.1661%
Proportionate share of the net OPEB liability	\$ 614,597	\$ 683,182	\$ 698,886
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

El Monte Union High School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Proportion of the net pension liability	0.0933%	0.0994%	0.0918%	0.0994%	0.1000%	0.0980%
Proportionate share of the net pension liability	\$ 84,259,301	\$ 91,392,124	\$ 84,857,991	\$ 80,399,644	\$ 67,293,511	\$ 57,275,854
State's proportionate share of the net pension liability	45,969,074	52,326,522	50,201,679	45,776,821	35,590,753	34,585,634
Total	<u>\$ 130,228,375</u>	<u>\$ 143,718,646</u>	<u>\$ 135,059,670</u>	<u>\$ 126,176,465</u>	<u>\$ 102,884,264</u>	<u>\$ 91,861,488</u>
Covered payroll	<u>\$ 52,179,232</u>	<u>\$ 52,316,674</u>	<u>\$ 50,394,706</u>	<u>\$ 50,182,852</u>	<u>\$ 47,319,685</u>	<u>43,655,261</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>161.48%</u>	<u>174.69%</u>	<u>168.39%</u>	<u>160.21%</u>	<u>142.21%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
Proportion of the net pension liability	0.1568%	0.1710%	0.1742%	0.1742%	0.1732%	0.1627%
Proportionate share of the net pension liability	\$ 45,688,056	\$ 45,597,609	\$ 38,929,238	\$ 34,412,310	\$ 25,529,882	\$ 1,845,072
Covered payroll	<u>\$ 21,758,211</u>	<u>\$ 23,074,258</u>	<u>\$ 20,904,738</u>	<u>\$ 20,857,052</u>	<u>\$ 19,234,593</u>	<u>17,083,753</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.98%</u>	<u>197.61%</u>	<u>186.22%</u>	<u>164.99%</u>	<u>132.73%</u>	<u>10.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

El Monte Union High School District  
Schedule of the District Contributions  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Contractually required contribution	\$ 9,303,778	\$ 8,494,779	\$ 7,549,296	\$ 6,339,654	\$ 5,384,620	\$ 4,201,988
Less contributions in relation to the contractually required contribution	<u>9,303,778</u>	<u>8,494,779</u>	<u>7,549,296</u>	<u>6,339,654</u>	<u>5,384,620</u>	<u>4,201,988</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 54,408,058</u>	<u>\$ 52,179,232</u>	<u>\$ 52,316,674</u>	<u>\$ 50,394,706</u>	<u>\$ 50,182,852</u>	<u>\$ 47,319,685</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>						
Contractually required contribution	\$ 4,732,392	\$ 3,929,968	\$ 3,583,663	\$ 2,903,250	\$ 2,470,935	\$ 2,264,104
Less contributions in relation to the contractually required contribution	<u>4,732,392</u>	<u>3,929,968</u>	<u>3,583,663</u>	<u>2,903,250</u>	<u>2,470,935</u>	<u>2,264,104</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 23,996,714</u>	<u>\$ 21,758,211</u>	<u>\$ 23,074,258</u>	<u>\$ 20,904,738</u>	<u>\$ 20,857,052</u>	<u>\$ 19,234,593</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedule**

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

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

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent in 2019 to 2.45 percent in 2020 and change in health care trend rate of 5.50 percent in 2019 to 5.25 percent in 2020.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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

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



Supplementary Information  
June 30, 2020

**El Monte Union High School District**

El Monte Union High School District  
Schedule of Expenditures of Federal Awards  
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Education - Basic Grants to States (Basic Education& ELA)	84.002	14508	\$ 1,159,378
Adult Education - Basic Grants to States (Secondary Education)	84.002	13978	<u>231,550</u>
Subtotal			<u>1,390,928</u>
Career and Technical Education - Basic Grants to States (Secondary Education)	84.048	14894	308,415
Career and Technical Education - Basic Grants to States (Vocational Education)	84.048	14893	<u>114,195</u>
Subtotal			<u>422,610</u>
Title I Grants to Local Educational Agencies (Basic Grants)	84.010	14329	2,974,757
Migrant Education State Grant Program (Regular & Summer)	84.011	14326	31,190
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	617,653
English Language Acquisition State Grants - LEP	84.365	14346	<u>184,052</u>
Passed Through West San Gabriel Valley SELPA			
Special Education Cluster (IDEA)			
Special Education Grants to States - Basic Local Assistance	84.027	13379	1,444,934
Special Education Grants to States - Mental Health	84.027	14468	<u>92,778</u>
Total Special Education Cluster (IDEA)			<u>1,537,712</u>
Total U.S. Department of Education			<u>7,158,902</u>
U.S. Department of Labor			
Passed Through California Department of Rehabilitation			
WIOA Cluster			
WIOA Youth Activities	17.259	10055	<u>18,126</u>
Total WIOA Cluster			<u>18,126</u>
Total U.S. Department of Labor			<u>18,126</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,131,242
National School Lunch Program - Meal Supplements	10.555	13396	67,439
School Breakfast Program - Especially Needy Breakfast	10.553	13526	865,739
National School Lunch Program - Summer Food Program	10.559	13004	912,809
National School Lunch Program - Commodity Supplemental Food	10.555	13391	<u>293,879</u>
Total Child Nutrition Cluster			<u>4,271,108</u>
Total U.S. Department of Agriculture			<u>4,271,108</u>
Total Expenditures of Federal Awards			<u><u>\$ 11,448,136</u></u>

## ORGANIZATION

The El Monte Union High School District (the District) was organized in 1901 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District operates five high schools, a continuation high school, an independent study program, a community day school, and an adult education program. There were no boundary changes during the year.

## GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Florencio F. Briones	President	2022
Maria Morgan	Vice President	2020
Carlos G. Salcedo	Clerk	2020
David Diaz	Member	2022
Ricardo Padilla	Member	2022

## ADMINISTRATION

NAME	TITLE
Dr. Edward A. Zuniga	Superintendent
Wael H. Elatar	Chief Business Official
Larry Cecil	Assistant Superintendent of Educational Services
Robin Torres	Assistant Superintendent of Human Resources

El Monte Union High School District  
Schedule of Average Daily Attendance  
Year Ended June 30, 2020

	Final Report		As Adjusted per Audit	
	Second Period Report D4EE220B	Annual Report 53B90931	Second Period Report	Annual Report
Regular ADA Ninth through twelfth	8,049.79	8,049.79	7,921.09	7,921.09
Extended Year Special Education Ninth through twelfth	62.36	62.36	62.36	62.36
Special Education, Nonpublic, Nonsectarian Schools Ninth through twelfth	20.35	20.35	20.35	20.35
Extended Year Special Education, Nonpublic, Nonsectarian Schools Ninth through twelfth	1.67	1.67	1.67	1.67
Community Day School Ninth through twelfth	24.43	24.43	25.72	25.72
Total ADA	8,158.60	8,158.60	8,031.19	8,031.19

# El Monte Union High School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		64,846	180	N/A	Complied
Grade 10		64,846	180	N/A	Complied
Grade 11		64,846	180	N/A	Complied
Grade 12		64,846	180	N/A	Complied

El Monte Union High School District  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2020

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Deferred Maintenance Fund</u>
Fund Balance	
Balance, June 30, 2020, Unaudited Actuals	\$ 5,430,029
Increase in	
Accounts payable	<u>(367,488)</u>
Balance, June 30, 2020, Audited Financial Statements	<u><u>\$ 5,062,541</u></u>
	<u>Building Fund</u>
Fund Balance	
Balance, June 30, 2020, Unaudited Actuals	\$ 73,131,171
Increase in	
Accounts payable	<u>(367,488)</u>
Balance, June 30, 2020, Audited Financial Statements	<u><u>\$ 72,763,683</u></u>

El Monte Union High School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2020

	(Budget) 2021 <sup>1</sup>	2020	2019	2018
General Fund <sup>3</sup>				
Revenues	\$ 116,053,721	\$ 129,409,888	\$ 131,172,043	\$ 125,207,787
Expenditures	129,176,040	129,172,197	123,676,902	124,959,115
Other uses and transfers out	725,236	1,223,688	5,610,412	5,890,000
Total Expenditures and Other Uses	129,901,276	130,395,885	129,287,314	130,849,115
Increase/(Decrease) in Fund Balance	(13,847,555)	(985,997)	1,884,729	(5,641,328)
Ending Fund Balance	\$ 23,296,477	\$ 37,144,032	\$ 38,130,029	\$ 36,245,300
Available Reserves <sup>2</sup>	\$ 21,574,752	\$ 29,434,162	\$ 21,978,843	\$ 17,115,498
Available Reserves as a Percentage of Total Outgo	16.61%	22.57%	17.00%	13.08%
Long-Term Liabilities	N/A	\$ 376,210,024	\$ 393,690,789	\$ 323,602,534
K-12 Average Daily Attendance at P-2	8,149	8,159	8,191	8,515

The General Fund balance has increased by \$898,732 over the past two years. The fiscal year 2020-2021 budget projects an increase of \$13,847,555 (37.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$52,607,490 over the past two years.

Average daily attendance has decreased by 356 over the past two years. Additional decline of 10 ADA is anticipated during fiscal year 2020-2021.

<sup>1</sup> Budget 2021 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

El Monte Union High School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2020

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>Assets</b>						
Deposits and investments	\$ 8,697,555	\$ 350,908	\$ 6,410,505	\$ 1,218,996	\$ 5,166,257	\$ 21,844,221
Receivables	1,437,640	511,276	20,180	303,522	59,968	2,332,586
Stores inventories	114,264	25,854	-	-	-	140,118
Total assets	<u>\$ 10,249,459</u>	<u>\$ 888,038</u>	<u>\$ 6,430,685</u>	<u>\$ 1,522,518</u>	<u>\$ 5,226,225</u>	<u>\$ 24,316,925</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	<u>\$ 232,305</u>	<u>\$ 166,626</u>	<u>\$ 1,368,144</u>	<u>\$ 324,262</u>	<u>\$ -</u>	<u>\$ 2,091,337</u>
<b>Fund Balances</b>						
Nonspendable	114,264	31,154	-	-	-	145,418
Restricted	9,902,890	690,258	-	1,198,256	-	11,791,404
Committed	-	-	5,062,541	-	-	5,062,541
Assigned	-	-	-	-	5,226,225	5,226,225
Total fund balances	<u>10,017,154</u>	<u>721,412</u>	<u>5,062,541</u>	<u>1,198,256</u>	<u>5,226,225</u>	<u>22,225,588</u>
Total liabilities and fund balances	<u>\$ 10,249,459</u>	<u>\$ 888,038</u>	<u>\$ 6,430,685</u>	<u>\$ 1,522,518</u>	<u>\$ 5,226,225</u>	<u>\$ 24,316,925</u>

# El Monte Union High School District

## Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

June 30, 2020

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Revenues						
Federal sources	\$ 1,505,123	\$ 4,271,108	\$ -	\$ -	\$ -	\$ 5,776,231
Other State sources	10,960,305	325,040	-	-	-	11,285,345
Other local sources	272,723	45,715	103,236	618,515	968,706	2,008,895
Total revenues	12,738,151	4,641,863	103,236	618,515	968,706	19,070,471
Expenditures						
Current						
Instruction	6,739,509	-	-	-	-	6,739,509
Instruction-related activities						
Supervision of instruction	943,920	-	-	-	-	943,920
School site administration	2,751,671	-	-	-	-	2,751,671
Pupil services						
Food services	-	4,834,628	-	-	-	4,834,628
All other pupil services	337,470	-	-	-	-	337,470
Administration						
All other administration	489,217	59,233	-	5,650	-	554,100
Plant services	1,199,578	-	738,365	-	-	1,937,943
Enterprise services	-	806	-	-	-	806
Facility acquisition and construction	24,042	-	1,920,533	1,332,981	529,616	3,807,172
Total expenditures	12,485,407	4,894,667	2,658,898	1,338,631	529,616	21,907,219
Excess (Deficiency) of Revenues Over Expenditures	252,744	(252,804)	(2,555,662)	(720,116)	439,090	(2,836,748)
Other Financing Sources						
Transfers in	-	-	500,000	-	-	500,000
Net Change in Fund Balances	252,744	(252,804)	(2,055,662)	(720,116)	439,090	(2,336,748)
Fund Balance - Beginning	9,764,410	974,216	7,118,203	1,918,372	4,787,135	24,562,336
Fund Balance - Ending	\$ 10,017,154	\$ 721,412	\$ 5,062,541	\$ 1,198,256	\$ 5,226,225	\$ 22,225,588

See Notes to Supplementary Information

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the El Monte Union High School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the El Monte Union High School District, it is not intended to and does not present the financial position of El Monte School District.

#### Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

#### Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

#### Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District did not report any inventory associated with commodities.

### **Local Education Agency Organization Structure**

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

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

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

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has 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.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic. As a result, the District received credit for these 52 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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

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

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

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

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

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



Independent Auditor's Reports  
June 30, 2020

# El Monte Union High School District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
El Monte Union High School District  
El Monte, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Monte Union High School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise El Monte Union High School District's basic financial statements and have issued our report thereon dated February 25, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered El Monte Union High School District's internal control over financial reporting (internal control) as a basis for designing 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 El Monte Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of El Monte Union High School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2020-001, to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as item 2020-002, to be significant deficiencies.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of El Monte Union High School District in a separate letter dated February 25, 2021.

**El Monte Union High School District's Response to Findings**

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

**Purpose of this Report**

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



Rancho Cucamonga, California  
February 25, 2021



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
El Monte Union High School District  
El Monte, California

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

We have audited El Monte Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Monte Union High School District's major federal programs for the year ended June 30, 2020. El Monte Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, El Monte Union High School District's 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, 2020.

### **Report on Internal Control over Compliance**

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

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

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

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 25, 2021



## Independent Auditor's Report on State Compliance

To the Board of Directors  
El Monte Union High School District  
El Monte, California

### Report on State Compliance

We have audited El Monte Union High School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 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 compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Compliance Requirements Tested

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

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

#### Kindergarten Continuance

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

#### Independent Study

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

#### Early Retirement Incentive

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

#### Juvenile Court Schools

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

#### Middle or Early College High Schools

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

#### K-3 Grade Span Adjustment

The District does not provide classes for grades K-3; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

#### Apprenticeship: Related and Supplemental Instruction

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

#### District of Choice

We did not perform District of Choice procedures because the program is not offered by the District.

#### After/Before School Education and Safety Program

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

#### Independent Study - Course Based

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

#### Charter Schools

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

***Basis for Qualified Opinion on Attendance and Unduplicated Local Control Funding Formula Pupil Counts***

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, as items 2020-003 and 2020-004, El Monte Union High School District did not comply with requirements regarding the Attendance and Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for El Monte Union High School District to comply with the requirements referred to above.

***Qualified Opinion on Attendance and Unduplicated Local Control Funding Formula Pupil Counts***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, El Monte Union High School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

El Monte Union High School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. El Monte Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Unmodified Opinion on Each of the Other Programs***

In our opinion, El Monte Union High School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
February 25, 2021



Schedule of Findings and Questioned Costs  
June 30, 2020

## El Monte Union High School District

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster (IDEA)	84.027
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**STATE COMPLIANCE**

Type of auditor's report issued on compliance for programs:	Unmodified*
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\* Unmodified for all programs except for the following programs which were qualified:

<u>Name of Program</u>
Attendance
Unduplicated Local Control Funding Formula Pupil Counts

The following findings represent material weakness and/or significant deficiency related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Controls

**2020-001      30000 (Material Weakness)**

**Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

**Condition**

During the course of our engagement, we identified a material misstatement of balances presented within the District's Building Fund and the Deferred Maintenance Non-Major Governmental Fund (Fund 14), as reported on the 2019-2020 unaudited financial statements. The description of the misstatement is as follows:

- The District did not recognize a liability of \$734,976 for construction services rendered as of June 30, 2020. This resulted in an understatement of expenditures reported in the Building Fund and the Deferred Maintenance Non-Major Governmental Fund (Fund 14) by \$367,488 and \$367,488, respectively.

**Questioned costs**

There were no questioned costs associated with the condition identified.

**Context**

The conditions were identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2019-2020 unaudited financial statements.

**Effect**

The effect of this error resulted in a misstatement that was not detected or prevented by the District's internal control. As reported on the 2019-2020 unaudited financial statements, the District's Building Fund and Deferred Maintenance Non-Major Governmental Fund (Fund 14) ending fund balances were each overstated by \$367,488 as of June 30, 2020.

**Cause**

The cause of the condition identified appears to be due to timing difference of vendor invoices are received and closing deadline imposed by the Los Angeles County Office of Education. In conjunction, the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the review of expenditures and accounts payable to determine their proper reporting period.

**Repeat Finding (Yes or No)**

No.

**Recommendation**

As part of the District's closing process, management should develop a structured method of identify all services provided and goods delivered as of June 30, 2020. Once identified, all corresponding vendors should be contacted in a timely manner to ensure that the District has the available information to recognize accurate amount of expenditures/liabilities prior to closing out the fiscal year. If services have been rendered or goods have been delivered as of June 30, 2020 and the vendor cannot be reached, management should estimate the liability.

**Corrective Action Plan**

This finding identified a misstatement of the Fund 14 and Fund 21 ending balances as of June 30, 2020. Though the procedure leading to this finding had been not been identified as a material weakness by previous auditors since at least 2013, all errors must be corrected when discovered. In this case, a retroactive adjustment for the liability in Fund 14 and Fund 21 as it impacts the previous year's ending balance and an adjustment to the current year's Fund 14 and fund 21 beginning balance will be submitted to cure this finding. The district will make the required adjustment and upon verification by the district auditor, note that the error has been reconciled with a letter from the district auditor attesting to the impact on the funds and significance of the correction on the district's aggregate statements. The letter from the district auditor will be shared with the County Office of Education and the Department of Education Audit Resolution team for disclosure purposes and to substantiate the fiscal year 2019-2020 corrections.

Accounts payable are defined as amounts due to private persons, firms, corporations, state agencies, and federal agencies for services rendered and goods received on or before the close of the fiscal year. The district inadvertently understated the balance of Fund 14 and Fund 21 accounts payable by not accruing amounts due to vendors. Management recognizes that adherence to sufficiently strict parameters make year-to-year data easier to compare. To avoid the occurrence of this finding in the future, Business Services will refine, set, and maintain internal guidelines to process requests for goods and services in advance of year-end reporting. In addition, Business Services departmental staff will collaborate closely with vendors to obtain invoices with estimated values of work to be completed before year end reporting deadline(s). To this end, Business Services staff will then review accounts payable entries remaining from the prior year to establish that they are still outstanding before clearing that item from the accounts payable balance and closing the books. The EMUHSD anticipates upcoming training, preparations, and implementation (in 2022-2023) of the LACOE Business Enhancement System Transformation (BEST) will further cooperation and compliance on this procedure. These actions reinforce Generally Accepted Accounting Principles, California School Accounting Manual procedures, and best practices associated with period reporting.

**2020-002      30000 (Significant Deficiency)****Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

**Condition**

During the course of our engagement, we identified a significant misstatement of balances presented within the District's Statement of Net Position (Government-Wide Financial Statements), as reported on the 2018-2019 audited financial statements. Specifically, the following misstatements were identified:

- Understatement Net Position due to pension related items: \$1,125,397
- Overstatement of Net Position due to OPEB related items: \$1,164,229
- Understatement of Net Position due of bond premiums: \$790,427

**Questioned costs**

There were no questioned costs associated with the condition identified.

### **Context**

The conditions were identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2018-2019 financial statements.

### **Effect**

While the aggregate amount of misstatement was not material to the financial statements, the effect of this error was not detected or prevented by the District's internal control.

### **Cause**

The cause of the condition identified appears to be due to inadequate review process related to the District's financial reporting related items.

### **Repeat Finding (Yes or No)**

No.

### **Recommendation**

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

### **Corrective Action Plan**

This finding identified a misstatement of balances presented within the district's Statement of Net Position as reported on the 2018-2019 annual audit. Though not identified as a material weakness by previous auditors, all errors must be corrected when discovered and, in this case, a retroactive adjustment for the

- Understatement of Net Position for pension related items,
- Overstatement of Net Position for OPEB related items, and
- Understatement of Net Position for bond premiums

will be corrected. The district will make the required adjustment and upon verification by the district auditor, note that the error has been reconciled with a letter from the district auditor attesting to the impact on the specific statement(s) and significance of the correction on the district's aggregate financial statements. The letter will be shared with the County Office of Education to be forwarded to the Department of Education Audit Resolution team, if necessary, and be used as a disclosure document accompanying future releases of the 2018-2019 Annual Audit.

This finding underscored that the district should take the time to review the draft Auditor's Report closely with the auditor prior to finalization, determine the effect of questionable data, and have errors corrected immediately because users of the Annual Audit rely on accurate information.

None reported.

The following findings represent instances of noncompliance and/or questioned costs relating to compliance with state laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance

**2020-003      10000**

**Criteria or Specific Requirements**

Pursuant to California Education Code Section 42238.02, the Second Principal (P2) and Annual attendance reports submitted to the California Department of Education must reconcile back to supporting documents that the Local Educational Agency (LEA) has prepared in connection with the calculation of its Average Daily Attendance (ADA) reported on each of the reporting line items.

**Condition**

The District's reported erroneous ADA numbers on its Second Period and Annual attendance reports. The following errors were made:

	ADA <u>Reported</u>	ADA <u>Audited</u>	ADA <u>Difference</u>
Line A-1	8,049.79	7,921.09	128.70
Line A-5	24.43	25.72	(1.29)

**Questioned Costs**

The District has been experiencing declining enrollment and as a result, the District's Local Control Funding Formula revenues were funded based on 2018-2019's ADA. There was no questioned cost identified.

**Context**

The condition was identified during our review of the District's P2 and Annual attendance reports. Cumulative attendance summary reports supporting each of the reported line items were generated from the District's attendance system and the reports were compared with spreadsheets used by the District to prepare its P2 and Annual attendance reports.

### **Effect**

The following summary of overstatement and understatement were noted on the District's P2 and Annual attendance reports:

- Line A-1 Regular: Overstatement of 128.70 ADA
- Line A-5 Community Day School: Understatement of 1.29 ADA

### **Cause**

The cause appears to be attributed to several factors as follows:

- The District has been using an antiquated attendance system where report querying is limited. As a result of the limited query capability of the system, the employee designated to prepare the attendance reports is required to prepare multiple spreadsheets to arrive at the ADA. The process is prone to clerical errors.
- While the employee designated by the District to prepare the attendance reports has the knowledge to generate spreadsheets that are necessary to prepare the attendance report, this employee appears to lack general knowledge of attendance accounting.
- The primary cause of the error in the current year appears to have resulted from the District failing to adjust the attendance reporting cutoff date which was modified to the last attendance month before February 28, 2020, as stipulated by Senate Bill 98 that was passed by California legislature in response to the pandemic.

### **Repeat Finding (Yes or No)**

No.

### **Recommendation**

We recommend the District to expedite the transition of the District's attendance system to a more modern system. Additionally, the District should consider engaging a third party to receive an in-depth for attendance reporting. The training should include learning about the different attendance programs and how they are calculated as well as calculating ADA in accordance with the attendance calendar. We also recommend the District consider training a secondary/alternate employee to ensure the continuity of attendance reporting in situations where the primary employee cannot perform the task.

### **Corrective Action Plan**

Governor Newsom's Executive Order N-26-20 amended School District Pupil Attendance calendar for the 2019–2020 school year to mitigate the drop in attendance as a result from COVID-19 and shelter-in-place orders. Under SB 117, a companion bill to Governor Newsom's Executive Order, local educational agencies (LEAs) were to shorten the pupil attendance reporting period and modify their calculation of the number of P-2 school days. Through inadvertence the EMUHSD overstated its ADA. When a LEA misreports pupil attendance data, a correction in the Principal Apportionment Data Collection Software (PADCS) for the appropriate fiscal year is necessary.

Pursuant to the Code of Federal Regulations § 200.331 and *Education Code* (EC) Sections 41020 and 42238.02, the specific steps to be taken necessitate revisions to the Second Principal (P2) and Annual attendance reports. Revisions will be reported on each of the lines identified in the auditor's finding and are to be transmitted to the California Department of Education via its 2019-2020 Principal Apportionment Data Collection Software (PADCS) in Corrected P2 and Annual mode. Also required is that a PADCS Certification page will be authorized by the EMUHSD Superintendent and that a copy of the Auditor's finding, to verify that revisions reconcile with supporting documents that the EMUHSD auditor has prepared in connection with its determination of the Average Daily Attendance (ADA), will be sent to the Los Angeles County Office of Education.

Although a district may appeal findings affecting apportionment the EMUHSD does not intend to appeal this 2019-2020 Audit Finding. The EMUHSD will propose that repayment for the amount received in a prior apportionment(s) identified in this finding be adjusted (i.e., deducted) in the next scheduled 2020-2021 Principal Apportionment certification.

The conditions leading to this finding are varied and systemic with the primary cause tied to several factors in the reporting process that are prone to human error, e.g., district staff must adjust output for negative time reporting, have limited ability to query an antiquated system, and are required to prepare multiple spreadsheets to arrive at an ADA determination. The district is already in the process of transitioning to a new student information system and both systems training and additional attendance accounting training will be provided. With this technological shift, in combination with this finding, a needs assessment will also be initiated.

2020-004      40000

**Criteria or Specific Requirements**

In accordance with *Education Code* sections 42238.02(b)(4), the Districts should to revise their submitted data on English learners, foster youth, and free or reduced-priced meal eligible pupil counts to ensure the accuracy of data reflected on the California Longitudinal Pupil Achievement Data System (CALPADS).

**Condition**

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District understated the total enrollment by 151 students on the "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report. The unduplicated pupil counts on the "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report was understated by 144 students.

**Questioned Costs**

There were no questioned costs associated with this condition. However, the condition identified resulted in an increase of \$21,910 in the Local Control Funding Formula revenues, as determined by utilizing the audit finding calculator found on the California Department of Education's website.

**Context**

The condition was identified as a result of selecting a sample of students from the "1.18 - FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Report. Auditor noted that the total enrollment on "1.18 FRPM/English Learner/Foster Youth – Student List" obtained from the district was not agreeing to the total from "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report. Through the inquiry with the District personnel, auditor noted that the "1.18 FRPM/English Learner/Foster Youth – Student List" CALPADS report was updated due to the system glitch incurred in the beginning of the fiscal year. Auditor requested the District to review the student listing and determine how many students had been enrolled to the District before the census date but were not included in the CALPADS. The District's review resulted in total of 151 students who were not properly included in the "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report. Of the 151 students, 144 students should be included in the unduplicated LCFF pupil counts.

### Effect

As a result of our testing, it appears that the District did not update the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report for pupils that enrolled to the district by the census date. The results of our testing have been documented as follows:

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Enrollment Adjustment by Auditor	Unduplicated Pupil Count Adjustment by Auditor	Adjusted Total Unduplicated Pupil Count	Total Adjusted Enrollment
8,299	7,472	151	144	7,616	8,450

### Cause

It appears that the enrollment information was not adequately updated for CALPADS reporting purposes.

### Repeat Finding (Yes or No)

No.

### Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on information received. If necessary, updated information should be submitted and recertified within the amendment window.

### Corrective Action Plan

Recognizing that supplemental and concentration grant amounts are calculated based on the percentage of “unduplicated pupils” enrolled in a district, the El Monte Union High School District (EMUHSD) self-identified and self-reported a CALPADS error and initiated appropriate action to correct this error.

When a LEA misreports unduplicated pupil counts, a correction is needed to be made in the Principal Apportionment Data Collection Software (PADCS) for the appropriate fiscal year. The EMUHSD entered the net adjustment to the enrollment and unduplicated pupil count according to its findings and in cooperation with Eide Bailly, the district auditor, submitted an auditor’s letter of concurrence as substantiation for its adjustment.

The EMUHSD completed the School District Audit Adjustments to CALPADS Data entry screen in the PADCS in Annual mode before the October 1 deadline set by the CDE. This specific corrective restored the district enrollment and unduplicated pupil figures used in the California Department of Education certification recalculation of the EMUHSD’s Supplemental and Concentration grants under the Local Control Funding Formula to its historical level and have already been incorporated into the current year district budget.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management  
El Monte Union High School District  
El Monte, California

In planning and performing our audit of the financial statements of El Monte Union High School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 25, 2021, on the government-wide financial statements of the District.

#### *Rosemead High School*

##### Observation

1. 1 of 13 deposits tested were not deposited in a timely manner. The days it took from the date received to the date deposited was 15 days. This could potentially result in large cash balances being maintained at the site which decreases the safeguarding of the asset.
2. One of two revenue potential forms tested was not being properly used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
3. In reviewing the sites outstanding check and deposit listing for the November 2019 reconciliation, we noted that 14 checks were over 6 months old.

##### Recommendation

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish and communicate specific guidelines for timely deposit procedures including the maximum cash on hand that should be maintained at the site.
2. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
3. Outstanding checks or deposits over 6 months old should be investigated and written off to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

Observation

1. 8 of 17 deposits tested were not deposited in a timely manner. The days it took from the date received to the date deposited ranged from 11 days to 47 days. This could potentially result in large cash balances being maintained at the site which decreases the safeguarding of the asset.
2. Based on review of disbursement procedures, 2 out of 15 disbursements were approved in the student council minutes after services were provided.
3. Revenue potential forms are not being properly used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
4. In reviewing the sites outstanding check and deposit listing for the November 2019 reconciliation, we noted that 56 checks were over 6 months old and one deposit was over 6 months old making the probability of them clearing the account quite low.

Recommendation

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish and communicate specific guidelines for timely deposit procedures including the maximum cash on hand that should be maintained at the site.
2. The site should review the cash disbursement procedures outlined in the Fiscal Crisis and Management Assistance Team's manual titled, *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*. The manual explains that three signatures, one being a student representative, are required pursuant to California *Educational Code* Section 48933(5)(b) on all disbursements from a student body account and that documents supporting a disbursement should be kept in organized files with the student body bookkeeper so that they can be easily reviewed should the need arise. The site should ensure all appropriate approval signatures are obtained prior to issuance of the check to ensure all payments meet proper control procedures and policies. The student body and advisors should thoroughly review all payment requests before approving.
3. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
4. Outstanding checks or deposits over 6 months old should be investigated and written off to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

*El Monte High School*

Observation

1. One of seven deposits tested was not deposited in a timely manner. It took 14 days from the date received to the date deposited. This could potentially result in large cash balances being maintained at the site which decreases the safeguarding of the asset.
2. The November 2019 bank reconciliation was signed as reviewed by an individual before the preparer date.

Recommendation

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish and communicate specific guidelines for timely deposit procedures including the maximum cash on hand that should be maintained at the site.
2. Timely and accurate bank account reconciliations and review are prudent and necessary. Best practices would be that an individual that is not preparing the bank reconciliations and financial statements is reviewing and signing off on them in a timely manner. The individual responsible for reviewing the bank reconciliation should sign and date the face of the reconciliation to show a proper and timely review was performed.

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 25, 2021