Annual Financial Report
June 30, 2019

Alvord Unified School District

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ALVORD UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Alvord Unified School District
Corona, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alvord Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alvord Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Correction of Error

As discussed in Note 18 to the financial statements, investments related to the Capital Project Fund for Blended Component Units were understated in the prior year resulting in a restatement of fund balance and net position as of June 30, 2018, to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 77, schedule of changes in the District's total OPEB liability and related ratios on page 78, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 79, schedule of the District's proportionate share of the net pension liability on page 80, and the schedule of District contributions on page 81, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alvord Unified School District's basic financial statements. The [accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the Alvord Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alvord Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alvord Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

ALVORD UNIFIED SCHOOL DISTRICT
All students will realize their unlimited potential

SUPERINTENDENT
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This section of Alvord Unified 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, 2019, with comparative information for the year ended June 30, 2018. 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. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the 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 Alvord Unified 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 and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

In the *Statement of Net Position* and the *Statement of Activities*, the District reports all of its services in the following category:

Governmental Activities - This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

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.

***Proprietary Funds* -** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund . The internal service funds are reported with governmental activities in the government-wide financial statements.

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 *Statement of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Total Net Position decrease 46.7 percent over the course of the year. Overall revenues were $273,402,663, $38,349,462 less than expenses. The total cost of basic programs was $311,752,125. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just $263,107,212. Average daily attendance (ADA) in grades K-12 decrease by 440, or 2.4 percent.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was $(120,417,492) for the fiscal year ended June 30, 2019. Of this amount, $(259,406,918) was unrestricted. 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 that 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	
	2019	2018 as Restated
Assets		
Current and other assets	$ 58,224,835	$ 57,818,660
Capital assets	351,855,772	363,902,616
Total Assets	**410,080,607**	**421,721,276**
Deferred Outflows of Resources	**72,584,462**	**82,088,356**
Liabilities		
Current liabilities	16,192,951	16,976,012
Long-term obligations	333,010,418	319,595,776
Aggregate net pension liability	236,640,562	235,483,456
Total Liabilities	**585,843,931**	**572,055,244**
Deferred Inflows of Resources	**17,238,630**	**13,822,418**
Net Position		
Net investment of capital assets	121,024,205	142,173,292
Restricted	17,965,221	19,549,423
Unrestricted	(259,406,918)	(243,790,745)
Total Net Position	**$ (120,417,492)**	**$ (82,068,030)**

Unrestricted Net Position decreased to $(259,406,918) compared to $(243,790,745), in the previous period.

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 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 795,288	$ 677,162
Operating grants and contributions	47,849,625	46,764,189
Capital grants and contributions	-	38,411
General revenues:		
Federal and State aid not restricted	171,935,527	161,435,160
Property taxes	49,547,117	45,269,314
Other general revenues	3,275,106	7,431,152
Total Revenues	**273,402,663**	**261,615,388**
Expenses		
Instruction-related	217,956,644	202,270,221
Pupil services	32,520,447	30,138,248
Administration	13,350,795	12,975,081
Plant services	24,715,554	23,330,680
Other	23,208,685	18,235,770
Total Expenses	**311,752,125**	**286,950,000**
Change in Net Position	**$ (38,349,462)**	**$ (25,334,612)**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $311,752,125. The amount that our taxpayers ultimately financed for these activities through local taxes was only $49,547,117. The District also collected $795,288 in charges for services from these that benefited from the programs. Other governmental agencies and organizations subsidized certain programs with grants and contributions of $47,849,625. We paid for the remaining "public benefit" portion of our governmental activities with $175,210,633 in unrestricted State and Federal funds, and with other revenues and other 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	
	2019	2018	2019	2018
Instruction-related	$ 217,956,644	$ 202,270,221	$ 186,315,069	$ 168,503,699
Pupil services	32,520,447	30,138,248	19,447,622	18,094,093
Administration	13,350,795	12,975,081	11,878,000	11,670,192
Plant services	24,715,554	23,330,680	24,185,292	23,132,067
All other services	23,208,685	18,235,770	21,281,229	18,070,187
Total	**$ 311,752,125**	**$ 286,950,000**	**$ 263,107,212**	**$ 239,470,238**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $35,035,467, which is a decrease of $469,247 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018 as Restated	Revenues	Expenditures	June 30, 2019
General Fund	$ 15,273,866	$ 249,691,904	$ 251,668,252	$ 13,297,518
Bond Interest and Redemption Fund	10,430,321	13,712,715	12,593,952	11,549,084
Adult Education Fund	280,030	348,734	477,806	150,958
Cafeteria Fund	3,135,495	10,826,309	11,041,032	2,920,772
Building Fund	1,274,914	39,223	1,203,638	110,499
Capital Facilities Fund	1,101,656	721,391	703,739	1,119,308
County School Facilities Fund	9,898	-	9,898	-
Special Reserve Fund for Capital Outlay Projects	1,691,635	4,324,739	1,976,189	4,040,185
Capital Project Fund for Blended Component Units	2,306,899	1,317,766	1,777,522	1,847,143
Total	**$ 35,504,714**	**$ 280,982,781**	**$ 281,452,028**	**$ 35,035,467**

The primary reasons for these increases/decreases are:

- $1,976,348 decrease to the General Fund balance – Revenues in 2018-2019 were lower than planned expenditures due to declining enrollment.
- $,1,118,763 increase in the Bond Interest and Redemption Fund balance. This fund is relatively stable as it serves as a holding fund.
- $129,072 decrease to Adult Education Fund – the District has been expanding services for this program as of the prior fiscal year.
- $214,723 decrease to the Cafeteria Fund balance – the District is required to reduce this Fund balance and made materials and capital expenditures to accomplish this.
- $1,164,415 decrease in the Building Fund balance – the District is engaged in multiple site repair and modernization projects in accordance with the specifications of the Measures H and W bonds.
- $17,652 increase in the Capital Facilities Fund balance – the District is using these funds for site improvement projects.
- $9,898 decrease to the County School Facilities Fund balance – the District is engaged in multiple site repair and modernization projects.
- $2,348,550 increase in the Special Reserve Fund for Capital Outlay Project Fund balance –- RDA revenues deposited in this fund are used to fund site repairs and District Office lease payments.
- $459,756 decrease in the Capital Project Fund for Blended Component Units Fund balance. This fund is relatively stable as it serves as a holding fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 5, 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

- Total General Fund Revenues decreased by $8,151,581 million in 2018-2019 from Budget Adoption to Unaudited Actuals.
- LCFF Revenues – increased $929,060 as a result of final annual ADA figures and fluctuating Gap Funding through LCFF.
- Federal Revenues - increased $196,584 as prior-year Deferred Revenues were budgeted.
- Other State Revenues - total increase of $3,835,596.
- Local Revenues increased $3,190,342 million.
- Budgeted expenditures increased by $5,298,172 million as the District experienced unplanned expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $351,855,772 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 approximately $12,046,844, or 3.3 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in progress	$ 28,670,414	$ 57,499,596
Buildings and improvements	318,283,188	301,675,858
Equipment	4,902,170	4,727,162
Total	**$ 351,855,772**	**$ 363,902,616**

Additional information on the District's capital assets can be found in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $333,010,418 in long-term obligations outstanding versus $319,595,776 last year, an increase of 4.2 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds (net of premium)	$ 266,967,360	$ 264,463,730
Capital lease	3,267,695	3,955,492
Supplemental early retirement plan (SERP)	9,954,488	-
Compensated absences	668,786	885,611
Net other postemployment benefits (OPEB) liabilities	47,189,027	44,935,515
Claims liability	4,963,062	5,355,428
Total	**$ 333,010,418**	**$ 319,595,776**

Additional information on the District's long-term obligations can be found in Note 10 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $236,640,562 versus $235,483,456 last year, an increase of $1,157,106, or 0.49 percent. Detailed information regarding the plans is disclosed in Note 14 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula income increased by one percent ($94, per ADA or a total of $1.6 million) in the Adopted Budget based on 2018-2019 P-2 ADA and 81.3 percent UPP (three-year average).
2. Developer fee collections are based on approximate new housing units to be constructed.
3. Federal income will decline due to declining enrollment.
4. State Income will decline due to lack of one-time discretionary funds.
5. Local income will be budgeted only on predictable sources such as leases, interest, and SELPA funding.

Expenditures are based on the following forecasts:

	Enrollment
Grades kindergarten through third	5268
Grades four through eight	6823
Grades nine through twelve	5801

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 Interim Assistant Superintendent, Business Services at Alvord Unified School District, Corona, California, or email at Fernando.cubias@alvordschools.org.

ALVORD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 49,144,052
Receivables	8,906,476
Prepaid expenses	3,342
Stores inventories	170,965
Capital assets	
Land and construction in process	28,670,414
Other capital assets	508,994,736
Less: Accumulated depreciation	(185,809,378)
Total Capital Assets	351,855,772
Total Assets	410,080,607
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,001,296
Deferred outflows of resources related to pensions	71,583,166
Total Deferred Outflows of Resources	72,584,462
LIABILITIES	
Accounts payable	12,526,181
Accrued interest payable	3,199,824
Unearned revenue	466,946
Long-term obligations:	
Current portion of long-term obligations other than pensions	8,016,918
Noncurrent portion of long-term obligations other than pensions	324,993,500
Total Long-Term Liabilities	333,010,418
Aggregate net pension liability	236,640,562
Total Liabilities	585,843,931
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on refunding	474,193
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	1,016,683
Deferred inflows of resources related to pensions	15,747,754
Total Deferred Inflows of Resources	17,238,630
NET POSITION	
Net investment of capital assets	121,024,205
Restricted for:	
Debt service	8,349,260
Capital projects	1,119,308
Educational programs	2,137,359
Other activities	6,359,294
Unrestricted	(259,406,918)
Total Net Position	$ (120,417,492)

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

ALVORD UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction	$ 188,397,512	$ 354	$ 26,774,629	$ (161,622,529)
Instruction-related activities:				
Supervision of instruction	10,928,883	-	3,887,895	(7,040,988)
Instructional library, media, and technology	2,765,736	2	154,377	(2,611,357)
School site administration	15,864,513	-	824,318	(15,040,195)
Pupil services:				
Home-to-school transportation	4,468,936	-	342,811	(4,126,125)
Food services	11,164,231	640,821	9,653,969	(869,441)
All other pupil services	16,887,280	-	2,435,224	(14,452,056)
Administration:				
Data processing	4,030,712	10	82,820	(3,947,882)
All other administration	9,320,083	30,923	1,359,042	(7,930,118)
Plant services	24,715,554	9,872	520,390	(24,185,292)
Ancillary services	2,678,764	4	126,514	(2,552,246)
Enterprise services	1,551,675	-	161	(1,551,514)
Interest on long-term obligations	16,513,580	-	-	(16,513,580)
Other outgo	2,464,666	113,302	1,687,475	(663,889)
Total Governmental Activities	$ 311,752,125	$ 795,288	$ 47,849,625	(263,107,212)

General revenues and subventions:	
Property taxes, levied for general purposes	33,642,856
Property taxes, levied for debt service	13,587,652
Taxes levied for other specific purposes	2,316,609
Federal and State aid not restricted to specific purposes	171,935,527
Interest and investment earnings	755,008
Miscellaneous	2,520,098
Subtotal, General Revenues	224,757,750
Change in Net Position	(38,349,462)
Net Position - Beginning, as Restated	(82,068,030)
Net Position - Ending	$ (120,417,492)

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 19,996,640	$ 11,549,084	$ 7,423,071	$ 38,968,795
Receivables	7,141,698	-	1,725,498	8,867,196
Due from other funds	480,028	-	2,316,799	2,796,827
Prepaid expenditures	3,342	-	-	3,342
Stores inventories	-	-	170,965	170,965
Total Assets	$ 27,621,708	$ 11,549,084	$ 11,636,333	$ 50,807,125
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 11,623,201	$ -	$ 885,373	$ 12,508,574
Due to other funds	2,316,799	-	479,339	2,796,138
Unearned revenue	384,190	-	82,756	466,946
Total Liabilities	14,324,190	-	1,447,468	15,771,658
Fund Balances:				
Nonspendable	18,342	-	174,611	192,953
Restricted	2,137,359	11,549,084	5,974,069	19,660,512
Assigned	3,847,322	-	4,040,185	7,887,507
Unassigned	7,294,495	-	-	7,294,495
Total Fund Balances	13,297,518	11,549,084	10,188,865	35,035,467
Total Liabilities and Fund Balances	$ 27,621,708	$ 11,549,084	$ 11,636,333	$ 50,807,125

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

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 35,035,467**
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	$ 537,665,150	
Accumulated depreciation is	(185,809,378)	
Net Capital Assets		351,855,772
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amoritized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		(474,193)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,199,824)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		5,233,179
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	23,332,405	
Changes in proportionate share of net pension liability	9,852,932	
Differences between projected and actual earnings on pension plan investments	487,931	
Differences between expected and actual experience in the measurement of the total pension liability	4,449,133	
Changes of assumptions	33,460,765	
Total Deferred Outflows of Resources Related to Pensions		71,583,166
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Changes in proportionate share of net pension liability	(6,353,001)	
Differences between projected and actual earnings on pension plan investments	(6,821,508)	
Differences between expected and actual experience in the measurement of the total pension liability	(2,573,245)	
Total Deferred Inflows of Resources Related to Pensions		(15,747,754)

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

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2019

Aggregate Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (236,640,562)
Deferred outflows of resources related to OPEB represents a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consisted of OPEB contributions subsequent to measurement date.		1,001,296
Deferred inflows of resources related to OPEB represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions.		(1,016,683)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ 202,790,233	
Unamortized premium on issuance	13,059,141	
Capital lease	3,267,695	
Supplemental early retirement plan (SERP)	9,954,488	
Compensated absences (vacation)	668,786	
Net other postemployment benefits (OPEB) liability	47,189,027	
In addition, in 2011 and 2013 the District issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	51,117,986	
Total Long-Term Obligations		(328,047,356)
Total Net Position - Governmental Activities		**$ (120,417,492)**

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

ALVORD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 198,120,149	$ -	$ -	$ 198,120,149
Federal sources	11,204,119	-	9,512,753	20,716,872
Other State sources	33,832,685	112,151	951,752	34,896,588
Other local sources	6,534,951	13,600,564	2,808,001	22,943,516
Total Revenues	249,691,904	13,712,715	13,272,506	276,677,125
EXPENDITURES				
Current				
Instruction	159,273,888	-	317,503	159,591,391
Instruction-related activities:				
Supervision of instruction	10,237,754	-	37,840	10,275,594
Instructional library, media, and technology	2,625,417	-	-	2,625,417
School site administration	14,652,046	-	68,173	14,720,219
Pupil services:				
Home-to-school transportation	3,618,087	-	-	3,618,087
Food services	158,824	-	10,485,558	10,644,382
All other pupil services	15,938,300	-	-	15,938,300
Administration:				
Data processing	3,807,281	-	-	3,807,281
All other administration	8,164,442	-	494,250	8,658,692
Plant services	21,739,218	-	1,922,822	23,662,040
Ancillary services	2,575,646	-	-	2,575,646
Other outgo	2,464,666	-	-	2,464,666
Enterprise services	1,547,027	-	-	1,547,027
Facility acquisition and construction	216,829	-	1,783,693	2,000,522
Debt service				
Principal	-	5,370,000	687,797	6,057,797
Interest and other	353,069	7,223,952	1,382,290	8,959,311
Total Expenditures	247,372,494	12,593,952	17,179,926	277,146,372
Excess (Deficiency) of Revenues Over Expenditures	2,319,410	1,118,763	(3,907,420)	(469,247)
Other Financing Sources (Uses)				
Transfers in	-	-	4,305,656	4,305,656
Transfers out	(4,295,758)	-	(9,898)	(4,305,656)
Net Financing Sources (Uses)	(4,295,758)	-	4,295,758	-
NET CHANGE IN FUND BALANCES	(1,976,348)	1,118,763	388,338	(469,247)
Fund Balance - Beginning, as Restated	15,273,866	10,430,321	9,800,527	35,504,714
Fund Balance - Ending	$ 13,297,518	$ 11,549,084	$ 10,188,865	$ 35,035,467

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

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ (469,247)**
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 depreciation expense exceeds capital outlays in the period.		
Depreciation expense	$ (14,180,813)	
Capital outlays	2,133,969	
Net Expense Adjustment		(12,046,844)
In the Statement of Activities, certain operating expenses - special termination benefits (supplement early retirement plans) - 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 amount actually paid). The amount paid by the District was less than amounts committed to annuities by $9,954,488.		(9,954,488)
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.		(12,537,862)
In the Statement of Activities, certain operating expenses - 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). Vacation used was more than amounts earned by $216,825.		216,825
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 expenses is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(3,832,378)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		5,370,000
Capital lease obligations		687,797

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

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2019

Under the modified basis of accounting used in the governmental funds, expenditure are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net change for the following balance:		
Amortization of debt premium	$	794,256
Amortization of deferred amount on refunding		39,516
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditures in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest on the general obligation bonds decreased by $279,845. Additionally, $8,667,886 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(8,388,041)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net change in the internal service fund is reported with governmental activities.		1,771,004
Change in Net Position of Governmental Activities	**$**	**(38,349,462)**

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

ALVORD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 10,175,257
Receivables	39,280
Total Current Assets	10,214,537
LIABILITIES	
Current Liabilities	
Accounts payable	17,607
Due to other funds	689
Current portion of claims liability and assessment	1,296,545
Total Current Liabilities	1,314,841
Noncurrent Liabilities	
Noncurrent portion of claims liability and assessment	3,666,517
Total Liabilities	4,981,358
NET POSITION	
Restricted	$ 5,233,179

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

ALVORD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 6,969,338
Other operating revenues	781,811
Total Operating Revenues	7,751,149
OPERATING EXPENSES	
Payroll costs	72,118
Professional and contract services	6,106,821
Total Operating Expenses	6,178,939
Operating Income	1,572,210
NONOPERATING REVENUES	
Interest income	198,794
Change in Net Position	1,771,004
Total Net Position - Beginning	3,462,175
Total Net Position - Ending	$ 5,233,179

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

ALVORD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 6,830,282
Other operating cash receipts	878,862
Cash payments to other suppliers of goods or services	13,667
Cash payments to employees for services	(72,118)
Cash payments for insurance premiums	(6,499,187)
Net Cash Provided by Operating Activities	1,151,506
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	198,794
Net Increase in Cash and Cash Equivalents	1,350,300
Cash and Cash Equivalents - Beginning	8,824,957
Cash and Cash Equivalents - Ending	$ 10,175,257
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,572,210
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	97,051
Decrease in due from other fund	207,268
Increase in accounts payable	13,667
Decrease in due to other fund	(346,324)
Decrease in claims liability	(392,366)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,151,506

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 97,568	$ 2,089,721
Receivables	4,494	-
Stores inventories	-	85,801
Total Assets	$ 102,062	$ 2,175,522
LIABILITIES		
Accounts payable	$ -	$ 1,389
Due to student groups	-	922,582
Due to bondholders	-	1,251,551
Total Liabilities	$ -	$ 2,175,522
NET POSITION		
Restricted	$ 102,062	

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

ALVORD UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Scholarship Trust
ADDITIONS	
Private donations	$ 94,959
Interest	1,724
Total Additions	96,683
DEDUCTIONS	
Other expenditures	73,021
Change in Net Position	23,662
Net Position - Beginning	78,400
Net Position - Ending	$ 102,062

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Alvord Unified School District was unified on July 1, 1960 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 K-12 as mandated by the State and/or Federal agencies. The District operates twelve elementary schools, four middle schools, three comprehensive high schools, and one continuation school.

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 Alvord Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units may be other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District.

The Community Facilities Districts (the CFDs) of the Alvord Unified School District's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and as an Agency Fund. Long-term obligations of the CFDs do not represent obligations of the District and thus are not included in the government-wide financial statements. Individually-prepared financial statements are not available for the CFDs.

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, proprietary, 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.

Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue funds as this fund is no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund, being 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 $740,998.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to 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).

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).

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.

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).

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

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).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a workers' compensation program and a health & welfare program that are accounted for in an internal service fund.

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. The District's trust fund accounts for scholarship activity. 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) and receipt of special taxes for payments on non-obligatory debt related to the CFDs.

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

Net Position should be reported as restricted when constraints placed on Net Position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Net Position restricted for other activities result from special revenue funds, and the internal service fund 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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.

Proprietary Funds Proprietary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The statement of changes in fund Net Position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the County investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amount paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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 cost on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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, five to 50 years; equipment, two to 15 years.

Interfund Balances

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

All payables, accrued liabilities, and long-term obligations 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 obligations 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 obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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.

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

Deferred Outflows/Inflows of Resources

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

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

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.

Fund Balances - Governmental Funds

As of June 30, 2019, 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 – amount 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 of 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 liabilities. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report $17,965,221 of restricted Net Position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

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 Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

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

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

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

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.

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

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

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

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

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

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

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

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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 49,144,052
Fiduciary funds	2,187,289
Total Deposits and Investments	$ 51,331,341

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$ 2,124,159
Cash in revolving	135,832
Investments	49,071,350
Total Deposits and Investments	$ 51,331,341

Policies and Practices

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

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

General Authorizations

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

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

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 Riverside County Treasury Investment Pool and having the Pool purchase 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

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

Investment Type	Reported Amount	Average Maturity in Days
Riverside County Treasury Investment Pool	$ 43,339,506	387
First American Treasury Obligation Money Market Funds, Class D	3,098,694	25
Local Agency Investment Fund	2,633,150	173
Total	$ 49,071,350	

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 Riverside County Treasury Investment Pool is rated Aaa by Moody's Investor Service. In addition, the First American Treasury Obligation Money Market Funds is also rated Aaa by Moody's Investor Service. The investment with the Local Agency Investment Fund is not required to be rated, nor have been rated as of June 30, 2019.

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, 2019, the District's bank balance of $2,024,671 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the Riverside County Treasury Investment Pool and Local Agency Investment Fund are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Fair Value Measurement Using Level 2 Inputs	Uncategorized
Riverside County Treasury Investment Pool	$ 43,339,506	$ -	$ 43,339,506
First American Treasury Obligation Money Market Funds, Class D	3,098,694	3,098,694	-
Local Agency Investment Fund	2,633,150	-	2,633,150
Total	$ 49,071,350	$ 3,098,694	$ 45,972,656

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government					
Categorical aid	$ 4,232,747	$ 1,439,182	$ -	$ 5,671,929	$ -
State Government					
Categorical aid	755,302	80,521	-	835,823	-
Lottery	797,118	-	-	797,118	-
Special education	1,001,472	-	-	1,001,472	-
Local Government					
Interest	161,619	30,327	39,280	231,226	4,494
Other Local Sources	193,440	175,468	-	368,908	-
Total	$ 7,141,698	$ 1,725,498	$ 39,280	$ 8,906,476	$ 4,494

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 28,545,954	$ -	$ -	$ 28,545,954
Construction in progress	28,953,642	1,907,572	30,736,754	124,460
Total Capital Assets Not Being Depreciated	57,499,596	1,907,572	30,736,754	28,670,414
Capital Assets Being Depreciated:				
Land improvements	44,009,592	-	-	44,009,592
Buildings and improvements	414,455,658	29,994,744	-	444,450,402
Furniture and equipment	17,821,559	919,695	-	18,741,254
Vehicles	1,744,776	48,712	-	1,793,488
Total Capital Assets Being Depreciated	478,031,585	30,963,151	-	508,994,736
Total Capital Assets	535,531,181	32,870,723	30,736,754	537,665,150
Less Accumulated Depreciation:				
Land improvements	27,998,442	1,918,114	-	29,916,556
Buildings and improvements	128,790,950	11,469,300	-	140,260,250
Furniture and equipment	13,487,007	774,760	-	14,261,767
Vehicles	1,352,166	18,639	-	1,370,805
Total Accumulated Depreciation	171,628,565	14,180,813	-	185,809,378
Governmental Activities Capital Assets, Net	$ 363,902,616	$ 18,689,910	$ 30,736,754	$ 351,855,772

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

Governmental Activities	
Instruction	$ 12,762,732
School site administration	56,723
Home-to-school transportation	850,849
Food services	127,627
Data processing	70,904
All other administration	127,627
Plant services	184,351
Total Depreciation Expenses Governmental Activities	$ 14,180,813

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds, and internal service funds are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 479,339	$ 689	$ 480,028
Non-Major Governmental Funds	2,316,799	-	-	2,316,799
Total	$ 2,316,799	$ 479,339	$ 689	$ 2,796,827

A Balance of $454,691 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from the transfer of indirect costs.

A balance of $2,316,609 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund resulted from the transfer of Redevelopment Property Tax Trust Fund (RPTTF) revenues.

All remaining balances resulted from the time lag between the date (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Non-Major Governmental Funds	$ 4,295,758	$ 9,898	$ 4,305,656

The County School Facilities Non-Major Governmental Fund transferred to the Building Non-Major Governmental Fund for reimbursement of qualifying capital outlay costs.	$ 9,898
The General Fund transferred redevelopment funds to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for future capital outlay projects.	4,295,758
Total	$ 4,305,656

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 645,794	$ 39,163	$ -	$ 684,957
LCFF apportionment	6,487,717	-	-	6,487,717
Supplies	462,253	139,316	-	601,569
Services	2,565,178	131,811	17,607	2,714,596
Construction	3,715	575,083	-	578,798
Due to Riverside County Office of Education	1,443,852	-	-	1,443,852
Other payables	14,692	-	-	14,692
Total	$ 11,623,201	$ 885,373	$ 17,607	$ 12,526,181

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 247,866	$ 32,883	$ 280,749
State categorical aid	136,324	8,881	145,205
Other local	-	40,992	40,992
Total	$ 384,190	$ 82,756	$ 466,946

NOTE 9 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 12, 2018, the District issued $10,890,000 of Tax and Revenue Anticipation Notes bearing interest rate at 3.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on January 31, 2018 and April 30, 2018. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent until 100 percent of principal and interest due is on account in April 2019. The District has fully met the repayment obligations as of June 30, 2019.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
2002 Refunding General Obligation Bonds, Series A	$ 28,805,000	$ -	$ 2,185,000	$ 26,620,000	$ 2,325,000
Premium on issuance of debt	34,911	-	10,472	24,439	-
2007 General Obligation Bonds, Series A	1,545,000	-	1,545,000	-	-
2007 General Obligation Bonds, Series B	97,707,126	8,366,582	475,000	105,598,708	940,000
Premium on issuance of debt	5,495,922	-	196,869	5,299,053	-
2012 General Obligation Bonds, Series A	79,253,207	301,304	350,000	79,204,511	550,000
Premium on issuance of debt	1,487,192	-	61,117	1,426,075	-
2018 Refunding General Obligation Bonds	43,300,000	-	815,000	42,485,000	1,495,000
Premium on issuance of debt	6,835,372	-	525,798	6,309,574	-
Compensated absences	885,611	-	216,825	668,786	-
Supplemental Early Retirement Plan (SERP)	-	12,178,245	2,223,757	9,954,488	2,451,792
Claims liability	5,355,428	4,809,720	5,202,086	4,963,062	1,296,545
Capital lease	3,955,492	-	687,797	3,267,695	255,126
Net other postemployment benefits (OPEB) liability	44,935,515	5,201,225	2,947,713	47,189,027	-
	$319,595,776	$30,857,076	$17,442,434	$333,010,418	$ 9,313,463

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund. General Fund makes payments for the capital leases. General Fund also makes payments supplemental early retirement plan (SERP). The compensated absences are paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) liabilities are generally paid by the General Fund. The claims liability will be paid by the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Accreted	Redeemed	Bonds Outstanding June 30, 2019
11/5/2002	8/1/2030	2.30-5.90%	$52,810,000	$ 28,805,000	$ -	$ 2,185,000	$ 26,620,000
5/1/2008	8/1/2018	3.50-5.00%	60,000,000	1,545,000	-	1,545,000	-
6/15/2011	8/1/2046	3.00-5.10%	56,941,560	97,707,126	8,366,582	475,000	105,598,708
11/21/2013	8/1/2042	5.00-5.25%	78,998,673	79,253,207	301,304	350,000	79,204,511
5/24/2018	8/1/2032	3.00-5.00%	43,300,000	43,300,000	-	815,000	42,485,000
				$250,610,333	$8,667,886	$ 5,370,000	$253,908,219

2002 Refunding General Obligation Bonds, Series A

On November 5, 2002, the District issued the 2002 Refunding General Obligation Bonds, Series A in the amount of $52,810,000. The bonds have a final maturity to occur August 1, 2030 with interest rates ranging from 2.30-5.90 percent. Proceeds from the sale of bonds were used to provide advance refunding of the District's $12,000,000 1997 General Obligation Bonds, Series A, $22,000,000 1997 General Obligation Bonds, Series B, $14,000,000 General Obligation Bonds, Series C, and $9,000,000 1997 General Obligation Bonds, Series D. As of June 30, 2019, the principal balance of $26,620,000 remained outstanding and unamortized premium on issuance amounted to $24,439.

2007 General Obligation Bonds, Series A

On May 1, 2008, the District issued the 2007 General Obligation Bonds, Series A in the amount of $60,000,000. The Series A represents the first of the authorized bonds not to exceed $196,000,000 to be issued under the measure as approved by voters. The bonds have a final maturity to occur August 1, 2018 with interest rates ranging from 3.50-5.00 percent. Proceeds from the sale of bonds were used to finance the acquisition, construction, renovation, and repair of certain school facilities. As of June 30, 2019, the principal balance has been paid in full.

2007 General Obligation Bonds, Series B

On June 15, 2011, the District issued the 2007 General Obligation Bonds, Series B in the amount of $56,941,560. The Series B represents the second series of the authorized bonds not to exceed $196,000,000 to be issued under the measure as approved by the voters. The Series B bonds were issued as capital appreciation bonds and convertible capital appreciation bonds, with the value of the capital appreciation bonds accreting to $210,049,593 and convertible capital appreciation bonds accreting to $42,623,847. The Series B bonds will have an aggregate principal debt service balance of $309,615,000.

The bonds have a final maturity to occur on August 1, 2046 with interest rates ranging from 3.00 to 5.10 percent. Proceeds from the sale of bonds were used for defeasance of the outstanding principal balance on the $60,000,000 2009 General Obligation Bond Anticipation Notes. At June 30, 2019, the principal outstanding (including accretion) was $105,598,708. Unamortized premium received on issuance amounted to $5,299,053.

2012 General Obligation Bonds, Series A

On November 21, 2013, the District issued the 2012 General Obligation Bonds, Series A, in the amount of $78,998,673. The Series A represents the first series of the reauthorized bonds not to exceed $79,000,000 to be issued under the measure as approved by the voters. The Series A bonds were issued as current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $3,596,327 and an aggregate principal debt service balance of $82,595,000. The bonds have a final maturity to occur on August 1, 2042 with interest rates ranging from 5.00 to 5.25 percent. Proceeds from the sale of the bonds were used for defeasance of the outstanding principal balance on the $51,999,394 2010 General Obligation Bond Anticipation Notes and to finance the renovation, acquisition, and construction of District buildings and facilities. At June 30, 2019, the principal outstanding (including accretion) was $79,204,511. Unamortized premium received on issuance was $1,426,075.

2018 Refunding General Obligation Bonds

On May 24, 2018, the District issued the 2018 Refunding General Obligation Bonds in the amount of $43,300,000. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2032 with interest rates ranging from 3.00 to 5.00 percent. Proceeds from the sale of the bonds were used for defeasance of certain outstanding maturities on the 2007 General Obligation Bonds, Series A and to pay the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of the payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability The refunding resulted in a cumulative cash flow saving of $10,032,028 over the life of the new debt and the economic gain of $8,242,934 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.51 percent. At June 30, 2019, the principal outstanding was $42,485,000. Unamortized premium received on issuance and deferred amount on refunding were $6,309,574 and $474,193, respectively.

Debt Service Requirements to Maturity

The bonds mature through August 1, 2047 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2020	$ 5,310,000	$ -	$ 7,605,378	$ 12,915,378
2021	6,445,000	-	7,282,045	13,727,045
2022	7,595,000	-	6,882,897	14,477,897
2023	7,859,578	1,000,422	6,535,653	15,395,653
2024	8,403,745	1,461,255	6,265,197	16,130,197
2025-2029	41,227,685	8,757,315	37,906,610	87,891,610
2030-2034	38,882,568	10,507,432	40,263,499	89,653,499
2035-2039	41,825,105	42,029,895	33,321,025	117,176,025
2040-2044	59,042,959	116,862,041	25,769,250	201,674,250
2045-2047	37,316,579	24,533,421	7,117,005	68,967,005
Total	$ 253,908,219	$ 205,151,781	$ 178,948,559	$ 638,008,559

Compensated Absences

Compensated absences (unpaid employee vacation), for the District at June 30, 2019, amounted to $668,786.

Supplemental Early Retirement Plans (SERP)

During 2019, the District adopted supplemental early retirement plans whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 191 employees who retired during the 2018-2019 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2019, the total balance of all outstanding obligations for the supplemental early retirement plans was $9,954,488. Future payments are as follows:

Year Ending June 30,	Lease Payment
2020	$ 2,451,792
2021	2,430,140
2022	2,430,140
2023	2,430,140
2024	212,276
	$ 9,954,488

Claims Liability

Liabilities associated with medical and workers' compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amounts of payouts and other economic and social factors. The liabilities for worker's compensation and medical claims are reported in the Internal Service Fund. The outstanding claims liabilities at June 30, 2019, amounted to $4,183,842 (discounted at 2.0 percent) and $779,220 (undiscounted) for workers' compensation and medical programs, respectively.

Capital Leases

The District has entered into an agreement to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on this lease agreement with options to purchase is summarized below:

	Energy Efficiency Project
Balance, July 1, 2018	$ 4,624,636
Payments	(792,565)
Balance, June, 30, 2019	$ 3,832,071

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 346,393
2021	334,341
2022	329,843
2023	331,592
2024	338,554
2025-2029	1,931,007
2030	220,341
Total	3,832,071
Less: Amount Representing Interest	(564,376)
Present Value of Minimum Lease Payments	$ 3,267,695

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 45,864,759	$ 1,001,296	$ 1,016,683	$ 4,008,498
Medicare Premium Payment (MPP) Program	1,324,268	-	-	(176,120)
Total	$ 47,189,027	$ 1,001,296	$ 1,016,683	$ 3,832,378

The details of each plan are as follows:

<u>District Plan</u>

Plan Administration

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

Plan Membership

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	102
Active employees	1,645
	1,747

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.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Alvord Education Association (AEA), 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, AEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $1,001,296 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $45,864,759 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.80 percent
Healthcare cost trend rates	4.00 percent for 2018

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. 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 reduction. 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 June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 43,435,127
Service cost	3,515,759
Interest	1,685,466
Changes of assumptions or other inputs	(1,094,293)
Benefit payments	(1,677,300)
Net change in total OPEB liability	2,429,632
Balance at June 30, 2018	$ 45,864,759

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	$ 49,246,426
Current discount rate (3.8%)	45,864,759
1% increase (4.8%)	42,662,404

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 (3.0%)	$ 42,821,527
Current healthcare cost trend rate (4.0%)	45,864,759
1% increase (5.0%)	49,045,627

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $4,008,498. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,001,296	$ -
Changes of assumptions	-	1,016,683
Total	$ 1,001,296	$ 1,016,683

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

The deferred inflows of resources related to changes of assumptions will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	$ (77,610)
2021	(77,610)
2022	(77,610)
2023	(77,610)
2024	(77,610)
Thereafter	(628,633)
	$ (1,016,683)

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, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $1,324,268 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.3460 percent, and 0.3566 percent, resulting in a net decrease in the proportionate share of 0.0106 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(176,120).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
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	3.87%	3.58%
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, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 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	Net OPEB Liability
1% decrease (2.87%)	$ 1,464,707
Current discount rate (3.87%)	1,324,268
1% increase (4.87%)	1,197,462

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB 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)	$ 1,207,599
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,324,268
1% increase (4.7% Part A and 5.1% Part B)	1,449,744

NOTE 11 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of $9,537,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 15,000	$ -	$ 3,646	$ 18,646
Stores inventories	-	-	170,965	170,965
Prepaid expenditures	3,342	-	-	3,342
Total Nonspendable	18,342	-	174,611	192,953
Restricted				
Legally Restricted Programs	2,137,359	-	2,897,119	5,034,478
Capital projects	-	-	3,076,950	3,076,950
Debt services	-	11,549,084	-	11,549,084
Total Restricted	2,137,359	11,549,084	5,974,069	19,660,512
Assigned				
County classroom carryover	137,067	-	-	137,067
Deferred maintenance program	740,998	-	-	740,998
Textbook adoption	2,773,743	-	-	2,773,743
Donations carryover	195,514	-	-	195,514
Capital projects	-	-	4,040,185	4,040,185
Total Assigned	3,847,322	-	4,040,185	7,887,507
Unassigned				
Reserve for economic uncertainties	7,294,495	-	-	7,294,495
Total	$ 13,297,518	$ 11,549,084	$ 10,188,865	$ 35,035,467

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2019, the District contracted with Southern California Regional Liability Excess Fund (SoCal ReLiEF) risk management pool for property and liability insurance coverage. The District's member retention limit was $50,000 and $5,000, respective for liability and property claims.

Workers' Compensation

For the fiscal year of 2018-2019, the District was self-funded for its workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. The District's self-insured retention limit for the 2018-2019 fiscal years was $750,000. Excess liability coverage for workers' compensation claims is provided through Star Insurance Company, a commercial insurance carrier.

Employee Medical Benefits

The District has contracted with Self Insured Schools of California (SISC) and Riverside County Employer/Employee Partnership for Benefits (REEP) to provide employee health benefits. Medical benefits are provided by United Health Care, Anthem Blue Cross, Blue Shield of California, and Kaiser. Dental benefits are provided by Delta Dental and MetLife Dental. Vision benefits are provided by Medical Eye Service and term life insurance is provided by Prudential Life and Mutual of Omaha Life.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2019:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 2017	$ 5,979,000	$ -	$ 5,979,000
Claims and changes in estimates	(841,250)	6,671,273	5,830,023
Claims payments	(735,361)	(5,718,234)	(6,453,595)
Liability Balance, June 30, 2018	4,402,389	953,039	5,355,428
Claims and changes in estimates	298,778	4,510,942	4,809,720
Claims payments	(517,325)	(4,684,761)	(5,202,086)
Liability Balance, June 30, 2019	$ 4,183,842	$ 779,220	$ 4,963,062
Assets available to pay claims at June 30, 2019	$ 6,454,269	$ 3,760,268	$ 10,214,537

NOTE 14 - 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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 177,152,960	$ 55,058,789	$ 15,659,847	$ 21,341,818
CalPERS	59,487,602	16,524,377	87,907	14,528,449
Total	$ 236,640,562	$ 71,583,166	$ 15,747,754	$ 35,870,267

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, 2017, 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $17,604,733.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 177,152,960
State's proportionate share of the net pension liability associated with the District	101,428,355
Total	$ 278,581,315

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.1928 percent and 0.1970 percent, resulting in a net decrease in the proportionate share of 0.0042 percent.

For the year ended June 30, 2019, the District recognized pension expense of $21,341,818. In addition, the District recognized pension expense and revenue of $11,915,545 for support provided by the State. At June 30, 2019, 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	$ 17,604,733	$ -
Net change in proportionate share of net pension liability	9,383,522	6,265,094
Differences between projected and actual earnings on pension plan investments	-	6,821,508
Differences between expected and actual experience in the measurement of the total pension liability	549,344	2,573,245
Changes of assumptions	27,521,190	-
Total	$ 55,058,789	$ 15,659,847

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,481,142
2021	(1,074,756)
2022	(5,722,981)
2023	(1,504,913)
Total	$ (6,821,508)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 5,185,218
2021	5,185,218
2022	5,185,218
2023	6,678,727
2024	6,885,970
Thereafter	(504,634)
Total	$ 28,615,717

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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, 2018, are summarized in the following table:

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 259,508,356
Current discount rate (7.10%)	177,152,960
1% increase (8.10%)	108,872,346

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, 2017 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $5,727,672.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $59,487,602. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.2231 percent and 0.2233 percent, resulting in a net decrease in the proportionate share of 0.0002 percent.

For the year ended June 30, 2019, the District recognized pension expense of $14,528,449. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,727,672	$ -
Net change in proportionate share of net pension liability	469,410	87,907
Differences between projected and actual earnings on pension plan investments	487,931	-
Differences between expected and actual experience in the measurement of the total pension liability	3,899,789	-
Changes of assumptions	5,939,575	-
Total	$ 16,524,377	$ 87,907

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,774,715
2021	424,407
2022	(1,360,071)
2023	(351,120)
Total	$ 487,931

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 4,545,635
2021	4,399,916
2022	1,275,316
Total	$ 10,220,867

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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:

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 86,611,104
Current discount rate (7.15%)	59,487,602
1% increase (8.15%)	36,984,774

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 $9,361,206 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule.*

NOTE 15 - 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, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Operating Leases

The District has entered into an operating lease for its District Office building with lease terms in excess of one year. The agreement contains a purchase option, but it does not meet the definition of a capital lease. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to lessor, but it is unlikely that the District will cancel the agreement prior to the expiration date. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
2020	$ 1,729,287
2021	1,729,287
2022	1,729,287
2023	1,729,287
2024	1,729,287
2025-2029	8,646,433
2030-2034	8,646,433
2035-2039	8,646,433
Total	$ 34,585,734

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Wells Woodshop	$ 90,544	December 1, 2019

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Southern California Regional Liability Excess Fund (SoCal ReLiEF), Self-Insured Schools of California (SISC), Riverside County Employer/Employee Partnership for Benefits (REEP) public entity risk pools. The District pays an annual premium to SoCal ReLiEF for property and liability coverage. Payments for health benefits are paid to SISC and REEP. The relationship between the District and the pools is such that it is not a component unit of the District for financial reporting purposes.

During the year ended June 30, 2019, the District made payments of $967,409, $6,407,036, and $171,393 to SoCal ReLiEF, SISC, and REEP for the services and coverage noted.

NOTE 17 - SUBSEQUENT EVENTS

The District issued $11,000,000 of Tax and Revenue Anticipation Notes dated July 24, 2019. The notes mature on June 30, 2020, with an interest rate of 2.00 percent. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 31, 2020, until 100 percent of principal and interest due is on account on June 30, 2020.

NOTE 18 – CORRECTION OF AN ERROR OF PRIOR YEAR NET POSITION

Certain items that occurred in the prior year net position and fund balance have been restated as of June 30, 2018 to more accurately reflect the substance of the underlying transactions. The following table lists the reason for the restatement.

Statement of Net Position	
Net Position - Beginning	$ (83,102,953)
Inclusion of Community Facilities District (CFD) 2006-1, Series 2018 Capital Project Improvement Fund	1,034,923
Net Position - Beginning, as Restated	$ (82,068,030)
Non-Major Governmental Funds - Capital Project Fund for Blended Component Units	
Fund Balance - Beginning	$ 1,271,976
Inclusion of Community Facilities District (CFD) 2006-1, Series 2018 Capital Project Improvement Fund	1,034,923
Fund Balance - Beginning, as Restated	$ 2,306,899

REQUIRED SUPPLEMENTARY INFORMATION

ALVORD UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 197,191,089	$ 198,008,263	$ 198,120,149	$ 111,886
Federal sources	11,007,535	13,432,520	11,204,119	(2,228,401)
Other State sources	21,170,786	24,071,555	33,832,685	9,761,130
Other local sources	3,322,075	4,413,127	6,534,951	2,121,824
Total Revenues [1]	232,691,485	239,925,465	249,691,904	9,766,439
EXPENDITURES				
Current				
Certificated salaries	108,262,466	109,809,063	109,469,611	339,452
Classified salaries	28,902,156	28,899,856	29,209,244	(309,388)
Employee benefits	62,360,520	64,670,269	73,633,171	(8,962,902)
Books and supplies	8,725,366	10,559,931	8,146,362	2,413,569
Services and operating expenditures	23,687,426	24,781,570	24,467,245	314,325
Capital outlay	-	497,288	456,506	40,782
Other outgo	617,954	1,647,496	1,990,355	(342,859)
Total Expenditures [1]	232,555,888	240,865,473	247,372,494	(6,507,021)
Excess of Revenues Over Expenditures	135,597	(940,008)	2,319,410	3,259,418
Other Financing Uses				
Transfers out	(2,979,149)	(2,979,149)	(4,295,758)	(1,316,609)
NET CHANGE IN FUND BALANCES	(2,843,552)	(3,919,157)	(1,976,348)	1,942,809
Fund Balance - Beginning	15,273,866	15,273,866	15,273,866	-
Fund Balance - Ending	$ 12,430,314	$ 11,354,709	$ 13,297,518	$ 1,942,809

[1] On behalf payments of $8,826,303 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, 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.

See accompanying note to required supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 3,515,759	$ 3,421,663
Interest	1,685,466	1,436,645
Changes of assumptions	(1,094,293)	-
Benefit payments	(1,677,300)	(1,612,788)
Net change in total OPEB liability	2,429,632	3,245,520
Total OPEB liability - beginning	43,435,127	40,189,607
Total OPEB liability - ending	$ 45,864,759	$ 43,435,127
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

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

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

See accompanying note to required supplementary information

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.3460%	0.3566%
District's proportionate share of the net OPEB liability	$ 1,324,268	$ 1,500,388
District's covered payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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

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

See accompanying note to required supplementary information

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1928%	0.1970%
District's proportionate share of the net pension liability	$ 177,152,960	$ 182,175,385
State's proportionate share of the net pension liability associated with the District	101,428,355	107,773,419
Total	$ 278,581,315	$ 289,948,804
District's covered payroll	$ 103,964,860	$ 104,212,774
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.40%	174.81%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.2231%	0.2233%
District's proportionate share of the net pension liability	$ 59,487,602	$ 53,308,071
District's covered payroll	$ 29,641,420	$ 31,321,047
District's proportionate share of the net pension liability as a percentage of its covered payroll	200.69%	170.20%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information

2017	2016	2015
0.2039%	0.2027%	0.1771%
$ 164,913,328	$ 136,472,756	$ 103,490,342
93,882,216	72,179,043	62,491,937
$ 258,795,544	$ 208,651,799	$ 165,982,279
$ 105,567,586	$ 94,087,387	$ 81,588,014
156.22%	145.05%	126.85%
70%	74%	77%
0.1990%	0.2007%	0.1807%
$ 39,309,748	$ 29,589,636	$ 20,518,289
$ 23,988,203	$ 22,225,990	$ 19,063,577
163.87%	133.13%	107.63%
74%	79%	83%

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 17,604,733	$ 15,003,169
Contributions in relation to the contractually required contribution	(17,604,733)	(15,003,169)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 108,137,181	$ 103,964,860
Contributions as a percentage of covered payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 5,727,672	$ 4,603,609
Contributions in relation to the contractually required contribution	(5,727,672)	(4,603,609)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 31,711,173	$ 29,641,420
Contributions as a percentage of covered payroll	18.06%	15.53%

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

See accompanying note to required supplementary information

2017	2016	2015
$ 13,109,967	$ 11,327,402	$ 8,354,960
(13,109,967)	(11,327,402)	(8,354,960)
$ -	$ -	$ -
$ 104,212,774	$ 105,567,586	$ 94,087,387
12.58%	10.73%	8.88%
$ 4,349,867	$ 2,842,602	$ 2,615,999
(4,349,867)	(2,842,602)	(2,615,999)
$ -	$ -	$ -
$ 31,321,047	$ 23,988,203	$ 22,225,990
13.89%	11.85%	11.77%

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 States 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.

At June 30, 2019, the District’s General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	$ 243,844,622	$ 251,668,252	$ 7,823,630

* Includes on behalf payments of $8,826,303 relating to Senate Bill 90.

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. 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.

Changes of Assumptions **–** The discount rate changed from 3.50 percent in the June 30, 2018 valuation to 3.80 percent in the June 30, 2019 valuation.

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 3.58 percent to 3.87 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
Carl D. Perkins Vocational and Technical Education: Secondary, Section 131	84.048	14894	$ 172,686
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	5,442,382
Title II, Part A - Supporting Effective Instruction	84.367	14341	446,302
Title III, Part A - English Learner Student Program	84.365	14346	618,946
Title III - Immigrant Student Program	84.365	15146	33,568
Titile IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	406
Passed through Riverside County SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,196,891
Preschool Grants, Part B, Sec 619	84.173	13430	60,169
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	257,831
Preschool Staff Development, Part B, Sec 611	84.173A	13431	602
Subtotal Special Education (IDEA) Cluster			3,515,493
Total U.S. Department of Education			10,229,783
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	332,081
Passed through County of Riverside			
Medi-Cal Administrative Activities	93.778	10060	393,092
Subtotal Medicaid Cluster			725,173
Total U.S. Department of Health and Human Services			725,173
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	6,055,859
Meal Supplements - Snacks	10.555	13755	199,200
Especially Needy Breakfast Program	10.553	13526	1,656,155
Commodities	10.555	13396	502,394
Summer Food Service Program Operations	10.559	13004	156,292
Summer Food Service Program Administration	10.559	13006	16,148
Subtotal Child Nutrition Cluster			8,586,048
NSLP Equipment Assistance Grants	10.579	14906	142,717
Child and Adult Care Food Program	10.558	13666	678,836
Fresh Fruit and Vegetable Program	10.582	14968	105,152
Total U.S. Department of Agriculture			9,512,753
Total Federal Programs			$ 20,467,709

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Alvord Unified School District was unified on July 1, 1960 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 K-12 as mandated by the State and/or Federal agencies. The District operates twelve elementary schools, four middle schools, three comprehensive high schools, and one continuation school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Robert Schwandt	President	2022
Carolyn Wilson	Vice President	2020
Lizeth Vega	Clerk	2020
Dr. Joanna Dorado	Member	2022
Julie Moreno	Member	2022

ADMINISTRATION

NAME	TITLE
Allan Mucerino	Superintendent
Robert Presby	Assistant Superintendent, Human Resources
Julie Koehler-Mount	Assistant Superintendent, Educational Services
Susana Lopez	Assistant Superintendent, Business Services
Kevin Ememaker	Executive Director of Administrative Services

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,352.03	5,373.09
Fourth through sixth	3,885.37	3,885.59
Seventh and eighth	2,834.66	2,829.22
Ninth through twelfth	5,476.06	5,417.63
Total Regular ADA	17,548.12	17,505.53
Extended Year Special Education		
Transitional kindergarten through third	3.64	3.64
Fourth through sixth	1.22	1.22
Seventh and eighth	0.98	0.98
Ninth through twelfth	2.19	2.19
Total Extended Year Special Education	8.03	8.03
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.73	0.42
Fourth through sixth	2.34	2.69
Seventh and eighth	3.24	3.03
Ninth through twelfth	13.55	13.63
Total Special Education, Nonpublic, Nonsectarian Schools	19.86	19.77
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.26	0.26
Seventh and eighth	0.46	0.66
Ninth through twelfth	2.54	2.88
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.26	3.80
Total ADA	17,579.27	17,537.13

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	37,800	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		53,220	180	-	Complied
Grade 2		53,220	180	-	Complied
Grade 3		53,220	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		55,275	180	-	Complied
Grade 5		55,275	180	-	Complied
Grade 6		61,785	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		61,785	180	-	Complied
Grade 8		61,785	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,126	180	-	Complied
Grade 10		65,126	180	-	Complied
Grade 11		65,126	180	-	Complied
Grade 12		65,126	180	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	Internal Service Fund
NET POSITION	
Balance, June 30, 2019, Unaudited Actuals	$ 6,012,399
Increase in:	
Claims liability	(779,220)
Balance, June 30, 2019, Audited Financial Statements	$ 5,233,179

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND[3]				
Revenues	$ 232,480,731	$ 240,843,066	$ 224,915,417	$ 223,354,385
Expenditures	231,625,232	237,854,059	225,023,890	217,288,405
Other uses and transfers out	2,145,153	5,295,758	3,750,410	1,689,248
Total Expenditures and Other Uses	233,770,385	243,149,817	228,774,300	218,977,653
INCREASE (DECREASE) IN FUND BALANCE	$ (1,289,654)	$ (2,306,751)	$ (3,858,883)	$ 4,376,732
ENDING FUND BALANCE	$ 11,266,866	$ 12,556,520	$ 14,863,271	$ 18,722,154
AVAILABLE RESERVES[2]	$ 7,028,112	$ 7,294,495	$ 10,841,649	$ 6,569,330
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.01%	3.00%	4.74%	3.00%
LONG-TERM OBLIGATIONS[4]	NA	$328,047,356	$ 319,595,776	$ 316,051,476
K-12 AVERAGE DAILY ATTENDANCE AT P-2	17,579	17,579	18,019	18,305

The General Fund balance has decreased by $6,165,634 over the past two years, and the fiscal year 2019-2020 budget projects a further decrease of $1,289,654 (10.3 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 2019-2020 fiscal year. Total long-term obligations have increased by $11,995,880 over the past two years.

Average daily attendance has decreased by 726 over the past two years. No change in ADA is anticipated during fiscal year 2019-2020.

1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.

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

3 General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

4 On behalf payments of $8,826,303 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 155,580	$ 1,801,594	$ 299,438
Receivables	28,077	1,668,412	8,451
Due from other funds	-	190	-
Stores inventories	-	170,965	-
Total Assets	$ 183,657	$ 3,641,161	$ 307,889
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 8,051	$ 182,942	$ 197,390
Due to other funds	24,648	454,691	-
Unearned revenue	-	82,756	-
Total Liabilities	32,699	720,389	197,390
Fund Balances:			
Nonspendable	-	174,611	-
Restricted	150,958	2,746,161	110,499
Assigned	-	-	-
Total Fund Balances	150,958	2,920,772	110,499
Total Liabilities and Fund Balances	$ 183,657	$ 3,641,161	$ 307,889

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Non Major Governmental Funds
$ 1,331,581	$ 1,987,735	$ 1,847,143	$ 7,423,071
7,518	13,040	-	1,725,498
-	2,316,609	-	2,316,799
-	-	-	170,965
$ 1,339,099	$ 4,317,384	$ 1,847,143	$ 11,636,333
$ 219,791	$ 277,199	$ -	$ 885,373
-	-	-	479,339
-	-	-	82,756
219,791	277,199	-	1,447,468
-	-	-	174,611
1,119,308	-	1,847,143	5,974,069
-	4,040,185	-	4,040,185
1,119,308	4,040,185	1,847,143	10,188,865
$ 1,339,099	$ 4,317,384	$ 1,847,143	$ 11,636,333

ALVORD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Building Fund
REVENUES			
Federal sources	$ -	$ 9,512,753	$ -
Other State sources	348,734	603,018	-
Other local sources	-	710,538	29,325
Total Revenues	348,734	10,826,309	29,325
EXPENDITURES			
Current			
Instruction	317,503	-	-
Instruction-related activities:			
Supervision of instruction	37,840	-	-
School site administration	68,173	-	-
Pupil services:			
Food services	-	10,485,558	-
Administration:			
All other administration	19,970	454,341	-
Plant services	34,320	101,133	15,000
Facility acquisition and construction	-	-	1,188,638
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	477,806	11,041,032	1,203,638
Excess (Deficiency) of Revenues Over Expenditures	(129,072)	(214,723)	(1,174,313)
Other Financing Sources			
Transfers in	-	-	9,898
Transfers out	-	-	-
Net Financing Sources	-	-	9,898
NET CHANGE IN FUND BALANCES	(129,072)	(214,723)	(1,164,415)
Fund Balance - Beginning, as Restated	280,030	3,135,495	1,274,914
Fund Balance - Ending	$ 150,958	$ 2,920,772	$ 110,499

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Non Major Governmental Funds
$ -	$ -	$ -	$ -	$ 9,512,753
-	-	-	-	951,752
721,391	-	28,981	1,317,766	2,808,001
721,391	-	28,981	1,317,766	13,272,506
-	-	-	-	317,503
-	-	-	-	37,840
-	-	-	-	68,173
-	-	-	-	10,485,558
19,939	-	-	-	494,250
88,745	-	1,183,624	500,000	1,922,822
595,055	-	-	-	1,783,693
-	-	687,797	-	687,797
-	-	104,768	1,277,522	1,382,290
703,739	-	1,976,189	1,777,522	17,179,926
17,652	-	(1,947,208)	(459,756)	(3,907,420)
-	-	4,295,758	-	4,305,656
-	(9,898)	-	-	(9,898)
-	(9,898)	4,295,758	-	4,295,758
17,652	(9,898)	2,348,550	(459,756)	388,338
1,101,656	9,898	1,691,635	2,306,899	9,800,527
$ 1,119,308	$ -	$ 4,040,185	$ 1,847,143	$ 10,188,865

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance. No federal assistance was provided to subrecipients.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of Medi-Cal Billing Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 20,716,872
Medi-Cal Billing Option	93.778	(249,163)
Total Schedule of Expenditures of Federal Awards		$ 20,467,709

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 1986-1987 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Governing Board
Alvord Unified School District
Corona, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alvord Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Alvord Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Emphasis of Matter – Correction of Error

As discussed in Note 18 to the financial statements, investments related to the Capital Project Fund for Blended Component Units were understated in the prior year resulting in a restatement of fund balance and net position as of June 30, 2018, to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 a significant deficiency.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Alvord Unified School District in a separate letter dated December 16, 2019.

Alvord Unified School District's Response to Findings

Alvord Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Alvord Unified 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

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

Governing Board
Alvord Unified School District
Corona, California

Report on Compliance for Each Major Federal Program

We have audited Alvord Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alvord Unified School District's major Federal programs for the year ended June 30, 2019. Alvord Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Alvord Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-004. Our opinion on each major Federal program is not modified with respect to this matter.

Alvord Unified School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Alvord Unified 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.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-004, which we consider to be a significant deficiency.

Alvord Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Alvord Unified 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.

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
December 16, 2019

EideBailly
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Alvord Unified School District
Corona, California

Report on State Compliance

We have audited Alvord Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Alvord Unified School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Alvord Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Alvord Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Alvord Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Alvord Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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

We did not perform testing for Independent Study because attendance for the program was below the materiality required for testing.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

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

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALVORD UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Programs or Clusters
84.027, 84.173, 84.027A, and 84.173A	Special Education (IDEA) Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

The following findings represent material weaknesses and a 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:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control
60000	Miscellaneous

2019-001 60000

Criteria or Specific Requirements

According to Title 5 California Code of Regulations Section 15450(a), available reserves for any budget year or two subsequent years are not less than three percent for District with 1,001 to 30,000 Average Daily Attendance (ADA). The available reserves are unrestricted amounts in the Reserve for Economic Uncertainties and the Unassigned/Unappropriated accounts in the General Fund and the Special Reserve Fund for Other than Capital Outlay Projects.

Condition

The District ended the 2018-2019 fiscal year with a reserve balance of $7,294,495 which represents three percent of the District's total outgo. The District also projects to meet its three percent reserve in the in the upcoming 2019-2020 fiscal year with a projected operating surplus in its General Fund. However, budgetary projections do not predict actual results and the District's projections can potentially not materialize which can severely impair the District's ability to meet its reserve requirement.

Questioned costs

There are no questioned costs associated with this finding.

Context

The condition was identified during the final year-end audit procedures of the unaudited actuals along with the assessment of known conditions impacting the District's immediate future operation given the District's ending reserve balance reported in its General Fund.

Effect

Deficit spending trends in conjunction with the lack of reasonable financial "cushion" to absorb any budgetary short-falls has placed the District in a financial condition that currently impacts the District's fiscal stability. Additionally, the District is in a financial condition where strict budgetary controls are necessary to ensure the continued improvement of its financial health

Cause

The significant factors contributing to the District's condition include the following:

1) Heavy deficit spending that took place in the current and previous fiscal years within the General Fund.
2) Declining enrollment/ADA which impairs the revenue growth needed to sustain increased level of spending.
3) Unsustainable expenditures due to the lack of an effective and aggressive expenditure mitigation plan that's implemented by the District and the governing board.

Recommendation

The District should progressively monitor its budget to actual results to ensure that the District can maintain its fiscal solvency. More importantly, the District should continue to develop and revise its aggressive fiscal/budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan must incorporate adequate expenditure mitigation objectives that can create a layer of financial "cushion" beyond the minimum reserve requirement stipulated by the State. This would allow the District to accommodate future uncertainties in operational variance without impairing the District's fiscal solvency. Furthermore, the District should continue to analyze its cash flows to ensure that adequate cash is available to meet obligations that become due as part of its regular operations until the District's budget stabilization plan takes effect.

Corrective Action Plan

The District is currently working on a budget stabilization plan. The District continues to work with the Budget Advisory Committee to assist with identifying revenue opportunities as well as reviewing and evaluation of expenditures. Fiscal staff will continue to closely monitor and analyze budgets, cash flow, enrollment and attendance to make sure the most accurate information is provided when making decisions.

2019-002 **30000**

Criteria or Specific Requirements

The District should maintain a system for identifying and reviewing entries made during the preparation of the financial statement. This review process will aid in detecting and preventing misstatements made during the preparation of the financial statements.

Condition

During the course of our engagement, we identified the incorrect exclusion of the Community Facilities District (CFD) 2006-1, Series 2018 Capital Project Improvement Fund's ending fund balance from the Capital Project Fund for Blended Component Units on the District's 2017-2018 audited financial statements. The result of this exclusion was a $1,034,923 understatement of the District's 2017-2018 Capital Project Fund for Blended Component Units.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during our testing of activities within the District's Community Facilities District (CFD) 2006-1, Series 2018.

Effect

The Capital Project Fund for Blended Component Units was understated on the prior year audited financial statements due to the incorrect exclusion of the Community Facilities District (CFD) 2006 1, Series 2018 Capital Project Improvement Fund. This resulted in a misstatement that was not detected or prevented by the District's internal accounting control and review process.

Cause

The District's internal control and review system was not able to detect the misstatement to the financial statement.

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 accounting department.

Corrective Action Plan

Management will review year-end financial account balances to ensure that they have been correctly reported. Balances will be raced to supporting records to verify the accuracy and completeness of reported information.

2019-003 30000

Criteria or Specific Requirements

According to California State Accounting Manual (CSAM) Procedure 105, an Internal Service Fund is used to account for goods or services provided on a cost reimbursement basis to other funds or departments within the Local Educational Agency (LEA) and, occasionally, to other agencies. The goal of an internal service fund is to measure and recover the full cost of providing goods or services through user fees or charges, normally on a break-even basis. Moreover, the completeness assertion within the financial statement framework requires an entity to record all transactions and events that should have been recorded.

Condition

The District did not present its self-insured medical plan estimated claim liability associated with the Alvord Educators Association within its financial statements, specifically, within the internal service fund (Fund 67).

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the District's agreement with the Alvord Educators Association.

Effect

Due to the exclusion of the claim liability associated with the District's self-insured medical program activities, the District's internal service fund was overstated by $779,220.

Cause

The cause of the condition identified appears to have been associated with the District's personnel failing to recognize the claim liability in the financial statements.

Recommendation

Going forward, monthly claims reports obtained by the District's Risk Management Department should be directed to the District's Fiscal Services Department to estimate and record the claim liability associated with the District's self-insured medical program.

Corrective Action Plan

At this time, the district is working with the Riverside County Office of Education to develop best practices and procedures to incorporate its self-insured medical through the use of its internal service fund. In addition, the district's Risk Manager and Fiscal Services Director will develop procedures to ensure that all claims related activities are properly and timely reported within the District's financial system.

The following finding represents a significant deficiency that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2019-004 **Code 50000**

Federal Program Affected

Program Name: Title I, Part A - Low-Income and Neglected
CFDA Number: 84.010
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 34, *Code of Federal Regulations*, Part 200, Subpart A, Section 200.63(a), local education agencies (LEAs) must provide timely and meaningful consultations with appropriate officials of private schools. LEAs must be able to demonstrate that eligible private schools were contacted and notified of the opportunity to participate in the Title I, Part A program.

Condition

Through inquiry with District personnel, it appears that records were not maintained to demonstrate that private schools had been contacted and notified of the opportunity to participate in the Title I, Part A program for the 2018-2019 school year.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's inquiry with District personnel.

Effect

The District was not in compliance with Title 34, *Code of Federal Regulations*, Part 200, Subpart A, Section 200.63(a),

Cause

The condition identified appears to have materialized due to private school correspondence records not being maintained by the District for the 2018-2019 school year.

Repeat Finding (Yes or No)

No

Recommendation

It is recommended that the District maintain private school correspondence records, minutes from meetings with private school representatives, and written affirmations from private school officials to demonstrate compliance with provisions under Title 34, *Code of Federal Regulations*, Part 200, Subpart A, Section 200.63(a).

Corrective Action Plan

District staff responsible for oversight and administration of federal programs have reviewed program guidelines regarding the need to provide timely and meaningful consultation with appropriate officials of private schools. In order to demonstrate compliance with these requirements, records of correspondence with private schools, including minutes from meetings, and letters of notice will be retained for review.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

2018-001 60000

Criteria or Specific Requirements

Financial statement preparers have a responsibility to evaluate whether there is substantial doubt about a government's ability to continue as a going concern for 12 months beyond the financial statement date.

Condition

As discussed in Note 18 to the financial statements, the General Fund's trend of deficit spending in conjunction with unsustainable salary increases, declining enrollment, and inadequate cash flow have adversely affected the District's financial condition and its ability to meet future financial obligations.

Questioned costs

There are no questioned costs associated with this finding.

Context

The condition was identified during the final year-end audit procedures of the unaudited actuals along with the assessment of known conditions impacting the District's immediate future operation given the District's ending reserve balance reported in its General Fund.

Effect

The District's deficit spending, lack of new revenue sources, and the inability to generate sufficient cash flow raises substantial doubt about the District's ability to continue as a going concern.

Cause

The significant factors contributing to the District's financial condition (as noted in Note 18) include:

1) Unsustainable salary increases that create significant and structural deficit spending.
2) Declining local enrollment of students at a rate of approximately 1.2 to 1.5 percent annually.
3) Inadequate cash flow to meet obligations throughout the upcoming year without temporary external borrowing.

Recommendation

The District must progressively monitor its budget to actual results to ensure that the District can maintain its fiscal solvency. More importantly, the District must develop an aggressive fiscal/budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan must incorporate adequate expenditure mitigation objectives that can create a layer of financial "cushion" beyond the minimum reserve requirement stipulated by the State. This would allow the District to accommodate future uncertainties in operational variance without impairing the District's fiscal solvency. Furthermore, the District must continue to analyze its cash flows to ensure that adequate cash is available to meet obligations that become due as part of its regular operations until the District's budget stabilization plan takes effect.

Current Status

Partially implemented. See current year finding 2019-001.

2018-002 **30000**

Criteria or Specific Requirements

Financial Statements prepared in accordance with GASB Statements 34, must include activities related to the District's capital assets. Reporting of capital assets on financial statements require the District to track and monitor capital assets activities annually, including acquisitions, dispositions, and construction activities that are generally considered as "construction in progress."

Condition

Although the current year's capital asset additions have been captured for financial reporting purposes, the District did not properly classify capital assets additions in the correct categories. Additionally, the following conditions were noted:

1) The District does not have a designated employee and an alternate employee responsible for tracking, monitoring, and updating the District capital assets activities.
2) Instead of electing to use the capital assets module within the County's Galaxy system, the District has been electing to use a manual tracking method.
3) Capital assets appear to be inadequately tracked within the manual tracking method prepared by the District. Specifically, assets tags assigned to various capital assets were incomplete.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the capital assets activities.

Effect

Due to the condition identified, the District's capital assets reported on the government-wide statements are potentially subject to misclassification.

Cause

The cause of the condition identified appears to have been triggered by the recent departure of the employee responsible for the District's capital assets. The situation was further exacerbated by the District's lack of alternate employee that can manage the District's capital assets responsibilities.

Recommendation

The District should consider the following actions:

1) Delegate a primary and an alternate employee to handle the District's capital assets activities.
2) Consider drafting a formal procedure/policy to ensure that the District's capital assets responsibilities are written. Written procedure/policy would allow the District's capital assets activities to continue in case of employee terminations/departures.
3) The District should consider engaging a third-party vendor that can assist the District with identifying all capital assets on hand through a physical inventory.
4) Once physical inventory has been taken, the District should consider importing the information into the Galaxy system's capital assets module. Subsequently, all capital assets activities should be tracked and updated through the Galaxy system's capital assets module.
5) The District should provide appropriate and necessary training to designated employee(s) to ensure that the capital assets module in the Galaxy system can be effectively utilized.

Current Status

Implemented.

2018-003 30000

Criteria or Specific Requirements

According to California State Accounting Manual (CSAM) Procedure 105, an Internal Service Fund is used to account for goods or services provided on a cost reimbursement basis to other funds or departments within the Local Educational Agency (LEA) and, occasionally, to other agencies. The goal of an internal service fund is to measure and recover the full cost of providing goods or services through user fees or charges, normally on a break-even basis. Moreover, the completeness assertion within the financial statement framework requires an entity to record all transactions and events that should have been recorded.

Condition

The District did not present its self-insured medical plan activities associated with the Alvord Educators Association within its financial statements, specifically, within the internal service fund (Fund 67).

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the District's agreement with the Alvord Educators Association.

Effect

Due to the exclusion of its self-insured medical program activities, the District's internal service fund was understated by $1,808,278 (understatement of assets by $2,761,317 and projected claims liabilities by $953,039).

Cause

The cause of the condition identified appears to have been triggered by the reserve balances held in trust outside of the District's financial statements. Contributory factor appears to be associated with the District's personnel failing to recognize these activities in the financial statements and the confusion about the ownership of these funds that are held in trust outside of the District's financial statements.

Recommendation

Going forward, the District should incorporate its self-insured medical plan through the use of its internal service fund. Instead of making direct contributions from the General Fund to finance the on-going claims incurred, the District should utilize an in-district premium (object 8674) to move the cash into its internal service fund prior to making its contributions. This will force the District to recognize the activities outside of the District. Furthermore, monthly claims reports obtained by the District's Risk Management Department should be directed to the District's Fiscal Services Department to ensure that all claims related activities are properly and timely reported within the District's financial system.

Current Status

Not implemented. See current year finding 2019-002.

Instructional Time

2018-004 40000

Criteria or Specific Requirements

According to *Education Code* Section 46200, a District must offer 180 school days per year for traditional calendar schools, and 163 days per year for year-round calendar schools to be eligible to receive long-year incentive funding. In addition, *Education Code* Section 46141 states that the minimum school days in grades nine through twelve is 240 minutes and *Education Code* Section 46142 allows the minimum school day minutes to be computed using an average of 2 consecutive school days to arrive at the minimum school day, as long as the number of minutes in any one school day is never less than 180 minutes. In order to count a school day as a day of instruction for incentive funding under *Education Code* Section 42600, the District must meet the minimum daily minute requirements of *Education Code* Section 46141 and 46142.

Condition

The District did not meet the minimum daily requirement for grades nine, ten, and twelve at one of its high schools for one day, and as a result, only offered 179 school days during the fiscal year of 2017-2018. The following schedule summarizes the non-compliance:

Norte Vista High School			
Grade Level	**Days Required**	**Days Offered**	**Day Short**
9th Grade	180	179	1
10th Grade	180	179	1
12th Grade	180	179	1

Questioned Costs

Using the California Department of Education's latest published "*Estimating the Cost of an Instructional Time Audit Penalty*" worksheet, the penalty calculation is as follows:

ADA for grade levels affected (all 9^{th}, 10^{th}, and 12^{th} grade ADA as reported on Second Period Report of Attendance) – 3,922.67 ADA
Derived Value of ADA - $9,996.19
Days Non-Compliant – 1 day

Calculation – 0.0056 x 3,922.67 ADA x $9,996.19 x 1 = $219,586

Context

The condition was found during our review of the instructional minute calculation performed for a sample of sites. We selected 5 out of 21 school sites to perform a recalculation of the instructional minutes. We obtained the calculations from the District and using bell schedules and school calendars received from the sites, the auditor re-performed the calculations. During this process, the auditor identified that one school (Norte Vista High School) was operating a college testing day that only offered 97 minutes for 9th, 10th, and 12th grade students. Upon further review of the high school bell schedules, this was the only day noted as not meeting the 180 minimum daily minute requirement.

Effect

As a result of the condition identified, the District did not comply with *Education Code* Section 46200 and will be penalized by the State for a total of $219,586.

Cause

The cause may be a result of the lack of review over site instructional minute calculation and/or lack of knowledge of absolute minimum daily minute requirements (180 minutes).

Recommendation

On a go-forward basis, the District should revamp its instructional minute review procedures to include a more stringent review of the calculations submitted by the sites. Additionally, we also recommend the District to provide a general overview of instructional minute requirement to all site administrators to ensure that similar short-falls are not repeated in the future.

Current Status

Implemented.

After School Education and Safety Program

2018-005 40000

Criteria or Specific Requirements

According to the California *Education Code* Section 8483a(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy.

Condition

While verifying the total students served for the month of November 2017, the auditor noted instances where students were counted as present with no sign in/out and signed out early without documenting the reason for early release or late arrival. Since the reason for early release is not documented, it cannot be determined if the early release is consistent with the early release policy.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Foothill Elementary and Villegas Middle Schools' attendance records and monthly attendance summary totals for the month of November 2017. Auditor selected two out of sixteen schools for the first semi-annual reporting period dated July to December 2017. The auditor reviewed sign in/sign out records for the month of November 2017, and noted instances where students were counted as present while their sign out sheets indicated they were not present or signed out early without documenting the reason for early release at both Foothill Elementary School and Villegas Middle School.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8483a(2) for the 2017-2018 fiscal year since the students were either not present or signing out early without a reason. As such, it could not be determined if the students arriving late or leaving early were in compliance with the early release/late arrival policy.

Cause

The cause of the condition appears to be a result of the program administration counting the number of students present incorrectly and parents failing to record an early release code on the sign-out sheet when checking their child out of the program.

Recommendation

We recommend the District continue to enforce its early release policy by communicating with parents the importance of documenting the reason for early release.

Current Status

Implemented.

Management
Alvord Unified School District
Corona, California

In planning and performing our audit of the financial statements of Alvord Unified School District, (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 16, 2019, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Cafeteria Inventory Valuation Report

Observation

Based on our review of the District's final inventory valuation report for goods held by the District's Child Nutrition Services Department, we noted that the report used to record the ending inventory balance in the Cafeteria Fund was mathematically inaccurate. Specifically, we noted a variance of $9,943 from what was reported on the District's Unaudited Actuals due to the mathematically inaccurate report.

Recommendation

The District can elect to use an internally generated summary to support the value of ending inventory balances held. However, the District must ensure that such reports are mathematically accurate by reviewing any underlying formulas that calculate subtotals and totals reported.

Self-Insured Workers Compensation Revolving Account

Observation

The District uses a revolving account in connection with its self-insured workers' compensation activities. The revolving account was created to facilitate the administration of claims handling process by a third-party administrator. Based on our review of this revolving account, it appears that the District has not accurately reported the revolving account balance. Based on our observation, the District reported the ending bank statement balance instead of the reconciled balance as of June 30, 2019. Consequently, the District has understated its assets related to its self-insured workers' compensation activities by $155.

Recommendation

Although the District would never directly use the revolving account to pay its own workers' compensation claims, the account is still considered an asset to the District. The District should accurately report this balance on its financial statement in order to ensure the completeness and accuracy of its assets shown in the Self Insurance Fund. Furthermore, any other revolving accounts with a similar usage mechanism should be reported on the District's financial statements.

Inclusion of Outside Activities

Observation

The District currently reports cash collected from voluntary deductions from employee payroll that are used for various charitable causes. We noted that the District currently records these activities within its unrestricted funds. Specifically, these activities are recorded in Fund 03, resources 0630 and 0631. At year end, activity recorded in these resources resulted in the inflation of the District's ending fund balance by approximately $17,000.

Recommendation

The District's accounting records should only reflect financial activities and transactions that directly result from the District's operation. While the intent was a charitable cause, the District should be focused on education related activities and should not supplant the role of various charitable organizations. We recommend the District to identify an alternative method of tracking these funds outside of the District's unrestricted General Fund.

Credit Card Purchases

Observations

1. Through review of 40 credit card purchases, one purchase was identified as containing a tip amount that significantly exceeding the District's established 18 percent maximum reimbursable tip amount. The tip amount of $200 represented 31 percent of the associated catering expenses.
2. Through review of 40 credit card purchases, multiple hotel expenses were identified that were not preapproved with the use of a travel request form.

Recommendations

1. The District should ensure that all credit card users are aware of the District's policy related to the maximum reimbursable tip amount. If employees tip in excess of the maximum reimbursable tip amount, they should be requested to reimburse the amount that is in excess.
2. All travel and conference expenditures should be approved prior to the transaction taking place. The District should ensure that all disbursements follow established procedures to allow for proper vetting of the nature of the disbursement and the availability of funds.

System Access Controls

Observation

Through review of system access controls, it was noted that the District is not maintaining adequate segregation of duties. Multiple employees were noted to have access to purchasing and accounts payable functions in the District's financial system.

Recommendation

The District should ensure that all employees are only given access to system functions that are appropriate for their position. System access roles should be reviewed and revised to resolve segregation of duties issues.

Direct Payments

Observation

Through review of the District's direct payments, multiple payments were identified that should have been subjected to the approval process associated with contracts and/or purchase orders in the District's financial software.

Recommendation

The District should ensure that all expenditures are processed through appropriate approval channels and direct payments should be limited to emergency purchases that cannot be subjected to such approvals due to time restraints.

ASSOCIATED STUDENT BODY (ASB)

Villegas Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that two of 14 deposits tested contained cash collections that were not deposited in a timely manner. The delay in deposits was 13 days from the dates of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the cash receipting procedures, it was noted that one of 14 deposits tested was not supported by an associated closeout report. Therefore, the completeness of this deposit could not be verified.
3. Based on the review of the disbursement procedures, it was noted that out of 10 disbursements tested, all were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

4. Based on the review of the disbursement procedures, it was noted that out of 10 disbursements tested, three were not supported by adequate supporting documentation, such as a purchase requisition form, invoice, or check request form. Therefore, the appropriateness and preapproval of these expenditures could not be determined.
5. Based on the review of the fundraiser procedures, it was noted that revenue potential forms used by the site do not contain actual revenues and expenditures. Additionally, out of four fundraisers tested, none were supported by traceable receipts.

<u>Recommendations</u>

1. The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. To ensure that deposits are made intact and inclusive of all associated receipts, each deposit should be accompanied by a corresponding closeout report. If a deposit is composed of multiple closeout reports, this should be indicated through a reconciliation of applicable closeouts to associated deposits.
3. To ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. To ensure proper internal controls over the ASB disbursements, all supporting purchase documentation should be maintained to allow for a review of the appropriateness of expenditures. All invoices should be accompanied by a purchase requisition and signed receiving documentation. This reduces the risk of unauthorized spending.
5. 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 project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and so forth.

La Sierra High School

<u>Observations</u>

1. Based on the review of the ASB change fund, it was noted that the fund was short by $50 and no explanation was provided for the shortage.
2. Based on the review of ticketed event procedures, it was noted that a master ticket log is not being used to document the beginning and ending ticket numbers for each ticket roll.
3. Based on the review of the disbursement procedures, it was noted that out of 25 disbursements tested, all did not indicate three required approval signatures. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved by all required parties.

Recommendations

1. It is recommended that the ASB maintain proper records of cash disbursed from the change fund. If cash from the change fund is provided to student clubs, this should be accounted for and reconciled to the change fund's imprest balance. If cash is missing from the change fund for unexplained reasons, the ASB should investigate the cause of the cash shortage.
2. Ticket sales forms should be used for each ticketed event to reconcile the number of tickets sold to the amount of cash received. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll, the dollar amount of the tickets, and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
3. To ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by a site administrator, ASB advisor, and student representative. This would allow the reviewing parties to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

All Sites – General

Observation

During our review of the year-end financial statements, we noted multiple negative balances reported for various trust accounts. Additionally, we also noted that ASB accounts that are meant to be treated as a holding account to account for credit card and web store transactions are not properly being reconciled based on the lack of activities posted by the ASB for these accounts.

Recommendation

The ASB has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the ASB is not meeting this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The ASB should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made. Additionally, all temporary holding accounts that are used to record credit card transactions or online transactions should be reconciled on a monthly basis.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019