Financial Statements
June 30, 2020

Alvord Unified School District

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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 Alvord Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 78, schedule of changes in the District's total OPEB liability and related ratios on page 79, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 80, schedule of the District's proportionate share of the net pension liability on page 81, and the schedule of District contributions on page 82, 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 Alvord Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2021 on our consideration of Alvord Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
January 29, 2021

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, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all District assets (including capital assets), and 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 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. 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 can serve as a useful indicator of whether the District's financial Position 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 educational and support services to our students and not generate profit as commercial entities do, one must consider other factors when evaluating the District's overall health. Providing quality education and safe schools will be an essential 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 transitional 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, and 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 has established other funds to help control and manage money for particular purposes or show that it meets the legal responsibilities for using certain taxes, grants, and other money received from the U.S. Department of Education.

Governmental Funds - Most of the District's services are reported in governmental funds, focusing 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 essential services the district provides. Governmental fund information helps determine whether there are more or fewer financial resources available in the near future to finance the District's programs. The differences 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 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 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 these funds cannot be used to finance its general operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Total Net Position decreased 16.2 percent over the course of the year. Overall revenues were $273,402,663, $19,484,993 less than expenses. The total cost of basic programs was $286,860,343. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was $244,292,439. Average daily attendance (ADA) in grades K-12 decreased by 226, or 1.3 percent.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position is $(139,902,485) for the fiscal year ended June 30, 2020. Of this amount, $(272,599,710) was unrestricted. The Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limits 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	
	2020	2019
Assets		
Current and other assets	$ 77,033,743	$ 58,224,835
Capital assets	338,872,170	351,855,772
Total assets	415,905,913	410,080,607
Deferred outflows of resources	73,247,198	72,584,462
Liabilities		
Current liabilities	23,448,506	16,192,951
Long-term liabilities	586,514,581	333,010,418
Total liabilities	609,963,087	349,203,369
Deferred inflows of resources	19,092,509	17,238,630
Net Position		
Net investment in capital assets	113,280,448	121,024,205
Restricted	19,416,777	17,965,221
Unrestricted	(272,599,710)	(259,406,918)
Total net position	$ (139,902,485)	$ (120,417,492)

Unrestricted Net Position decreased to $(272,599,710) compared to $(259,406,918), in the previous period.

Changes in Net Position

The results of this year's operations for the District are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them so you can see total revenues for the year more easily.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 1,163,518	$ 795,288
Operating grants and contributions	41,404,386	47,849,625
General revenues		
Federal and State aid not restricted	168,739,956	171,935,527
Property taxes	51,913,600	49,547,117
Other general revenues	4,153,890	3,275,106
Total revenues	267,375,350	273,402,663
Expenses		
Instruction-related	200,426,503	217,956,644
Pupil services	29,862,680	32,520,447
Administration	10,020,799	13,350,795
Plant services	25,674,851	24,715,554
Other	20,875,510	23,208,685
Total expenses	286,860,343	311,752,125
Change in net position	$ (19,484,993)	$ (38,349,462)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $286,860,343. The amount our taxpayers ultimately financed for these activities through local taxes was $51,913,600. The District collected $1,163,518 in charges for services from those that benefited from the programs. Other governmental agencies and organizations subsidized district programs with grants and contributions of $41,404,386. The remaining "public benefit" portion of our governmental activities was paid with $172,893,846 in unrestricted State and Federal funds and other revenues and other entitlements.

Table 3 presents the cost and net cost of the District's largest operational activities: 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 District taxpayers' financial burden by each of these functions. Providing this information allows our citizens to consider each function's cost compared to the benefits they believe are provided by that activity.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 200,426,503	$ 217,956,644	$ 170,679,918	$ 186,315,069
Pupil services	29,862,680	32,520,447	19,028,376	19,447,622
Administration	10,020,799	13,350,795	9,010,436	11,878,000
Plant services	25,674,851	24,715,554	25,496,972	24,185,292
All other services	20,875,510	23,208,685	20,076,737	21,281,229
Total	$ 286,860,343	$ 311,752,125	$ 244,292,439	$ 263,107,212

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $45,676,831, which increased $10,641,364 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 13,297,518	$ 238,543,841	$ 227,932,346	$ 23,909,013
Bond Interest and Redemption	11,549,084	13,886,075	12,915,377	12,519,782
Adult Education	150,958	421,713	382,195	190,476
Cafeteria	2,920,772	8,773,913	9,175,053	2,519,632
Building	110,499	9,957	41,537	78,919
Capital Facilities	1,119,308	1,172,998	1,718,554	573,752
Special Reserve Fund for Capital Outlay Projects	4,040,185	2,781,882	1,983,953	4,838,114
Capital Project Component Unit	1,847,143	19,536	819,536	1,047,143
Total	$ 35,035,467	$ 265,609,915	$ 254,968,551	$ 45,676,831

The primary reasons for these increases/decreases are:

- $10,611,495 increase to the General Fund balance – Expenditures in 2019-20 were lower than planned primarily due to the COVID-19 pandemic and school closures in March 2020.
- $970,698 increase in the Bond Interest and Redemption Fund balance. This fund is relatively stable as it serves as a holding fund.
- $39,518 increase to Adult Education Fund – Expenditures in 2019-20 were lower than planned primarily due to COVID-19 pandemic conditions and school closures in March 2020. Carryover dollars will be used in 2020-21 to continue expanding services in our Adult Education program.
- $401,140 decrease to the Cafeteria Fund balance – due to school closures, participation in the National School Lunch Program decreased, resulting in lower revenues than expected.
- $31,580 decrease in the Building Fund balance – the District is engaged in multiple site repair and modernization projects using the Measures H Bond specifications.
- $545,556 decrease in the Capital Facilities Fund balance – the District continues to use these funds for site improvement projects.
- $797,929 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.
- $800,000 decrease in the Capital Project Fund for Blended Component Units Fund balance. This fund supports the district's site improvement projects.

General Fund Budgetary Highlights

Throughout the school year, the District revises its budget as changes in revenues and expenditures occur. The Governing Board took action to adopt the District budget on June 25, 2020. (A schedule showing the District's original and final budget amounts compared with amounts paid and received is provided in the annual financial report on page 77.)

- Total General Fund Revenues increased by $3.7 million in 2019-20 from Budget Adoption to Actuals
- LCFF Revenues increased $9,592 as a result of final student attendance
- Federal Revenues decreased $1,566,535 as restricted grant dollars remained unspent due to school closures in March 2020
- Other State Revenues increased a total of $4,265,074, primarily due to SB90 STRS on Behalf
- Local Revenues increased $1,005,756
- Budgeted expenditures increased by $2.2 million as the District experienced unplanned costs due to school closures in March 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District had $338,872,170 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 $12,983,602, or 3.7 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 28,824,364	$ 28,670,414
Buildings and improvements	305,774,570	318,283,188
Equipment	4,273,236	4,902,170
Total	$ 338,872,170	$ 351,855,772

Note 5 of the financial statements provided additional information on the District's capital assets.

Long-Term Liabilities

The District had $586,514,581 in long-term liabilities outstanding versus $569,650,980 last year, a 3.0 percent increase at the end of this year. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 269,387,189	$ 266,967,360
Capital leases	3,012,570	3,267,695
Early retirement liabilities	7,382,771	9,954,488
Compensated absences	1,233,054	668,786
Claims liability	4,211,447	4,963,062
Total OPEB liability	53,177,114	47,189,027
Aggregate net pension liability	248,110,436	236,640,562
Total	$ 586,514,581	$ 569,650,980

Note 10 of the financial statements contain additional information on the District's long-term obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's Budget for the 2020-2021 year, the governing board and management used the following criteria:

The key assumptions in our revenue projections are:

1. Local Control Funding Formula (LCFF) budget projection uses 0% increases and prior year guarantee of prior-year Average Daily Attendance
2. Federal income was budgeted at prior-year grant award levels; $1.4 million in anticipated CARES Act
3. State Income was budgeted at prior-year grant award levels, $0 in restricted lottery revenue, $10.3 million for STRS on Behalf, and known new Special Education grant awards
4. Local income is budgeted using predictable sources such as leases, interest, and SELPA funding

Student Enrollment of 17,791

Student Attendance, also known as Average Daily Attendance (ADA)

Grades transitional kindergarten through third	5,228
Grades four through six	3,978
Grades seven through eight	2,676
Grades nine through twelve	5,468

Key assumptions for expenditures projections are:

1. Staffing costs include increases for automatic salary step advancements, projected educational column movement for certificated staff, changes in known employee retirement percentages and positions approved by the board, as adjusted for student enrollment projections
2. Local Control Accountability Plan (LCAP) goals and activities, restricted federal and state grant requirements
3. Support for our school site and department educational needs, maintenance of our school sites, and other general operating costs (such as insurance and utilities) that support the district's overall educational program

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 Dusty Nevatt, Chief Business Officer, Business Services at Alvord Unified School District, Corona, California. Dusty can be reached (951) 509-5095 or email her: cbo@alvordschools.org.

	Governmental Activities
Assets	
Deposits and investments	$ 47,847,916
Receivables	28,802,356
Prepaid items	3,495
Stores inventories	379,976
Capital assets not depreciated	28,824,364
Capital assets, net of accumulated depreciation	310,047,806
Total assets	415,905,913
Deferred Outflows of Resources	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	4,356,045
Deferred outflows of resources related to pensions	68,891,153
Total deferred outflows of resources	73,247,198
Liabilities	
Accounts payable	19,357,756
Interest payable	3,080,711
Unearned revenue	1,010,039
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	10,624,194
Long-term liabilities other than OPEB and pensions due in more than one year	274,602,837
Total other postemployment benefits liabilities	53,177,114
Aggregate net pension liabilities	248,110,436
Total liabilities	609,963,087
Deferred Inflows of Resources	
Deferred charge on refunding	434,677
Deferred inflows of resources related to OPEB	1,209,541
Deferred inflows of resources related to pensions	17,448,291
Total deferred inflows of resources	19,092,509
Net Position	
Net investment in capital assets	113,280,448
Restricted for	
Debt service	9,439,071
Capital projects	573,752
Educational programs	3,611,647
Self-Insurance	3,462,175
Cafeteria	2,139,656
Other restrictions	190,476
Unrestricted	(272,599,710)
Total net position	$ (139,902,485)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 173,734,308	$ 2,476	$ 24,973,057	$ (148,758,775)
Instruction-related activities				
Supervision of instruction	9,361,083	-	3,744,038	(5,617,045)
Instructional library, media, and technology	2,195,664	-	129,325	(2,066,339)
School site administration	15,135,448	-	897,689	(14,237,759)
Pupil services				
Home-to-school transportation	4,601,876	-	35,380	(4,566,496)
Food services	9,369,671	620,211	7,758,395	(991,065)
All other pupil services	15,891,133	-	2,420,318	(13,470,815)
Administration				
Data processing	3,270,713	-	62	(3,270,651)
All other administration	6,750,086	29,989	980,312	(5,739,785)
Plant services	25,674,851	38,262	139,617	(25,496,972)
Ancillary services	2,724,625	-	41,728	(2,682,897)
Community services	-	-	98,372	98,372
Enterprise services	2,206,086	-	-	(2,206,086)
Interest on long-term liabilities	15,464,717	-	-	(15,464,717)
Other outgo	480,082	472,580	186,093	178,591
Total governmental activities	$ 286,860,343	$ 1,163,518	$ 41,404,386	(244,292,439)
General Revenues and Subventions				
Property taxes, levied for general purposes				35,597,679
Property taxes, levied for debt service				13,732,595
Taxes levied for other specific purposes				2,583,326
Federal and State aid not restricted to specific purposes				168,739,956
Interest and investment earnings				518,928
Miscellaneous				3,634,962
Subtotal, general revenues				224,807,446
Change in Net Position				(19,484,993)
Net Position - Beginning				(120,417,492)
Net Position - Ending				$ (139,902,485)

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 15,094,388	$ 12,519,782	$ 9,244,835	$ 36,859,005
Receivables	28,351,316	-	436,096	28,787,412
Due from other funds	527,342	-	932	528,274
Prepaid expenditures	3,495	-	-	3,495
Stores inventories	-	-	379,976	379,976
Total assets	$ 43,976,541	$ 12,519,782	$ 10,061,839	$ 66,558,162
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 19,079,965	$ -	$ 263,057	$ 19,343,022
Due to other funds	932	-	527,338	528,270
Unearned revenue	986,631	-	23,408	1,010,039
Total liabilities	20,067,528	-	813,803	20,881,331
Fund Balances				
Nonspendable	18,495	-	379,976	398,471
Restricted	3,611,647	12,519,782	4,029,946	20,161,375
Assigned	11,709,722	-	4,838,114	16,547,836
Unassigned	8,569,149	-	-	8,569,149
Total fund balances	23,909,013	12,519,782	9,248,036	45,676,831
Total liabilities and fund balances	$ 43,976,541	$ 12,519,782	$ 10,061,839	$ 66,558,162

Total Fund Balance - Governmental Funds		$ 45,676,831
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	$ 537,992,626	
Accumulated depreciation is	(199,120,456)	
Net capital assets		338,872,170
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(3,080,711)
An internal service fund is used by 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.		6,777,670
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits	4,356,045	
Net pension obligation	68,891,153	
Total deferred outflows of resources to pensions		73,247,198
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Debt refundings	(434,677)	
Other postemployment benefits	(1,209,541)	
Net pension obligation	(17,448,291)	
Total deferred inflows of resources to pensions		(19,092,509)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(248,110,436)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(53,177,114)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	$ (197,480,233)	
Unamortized premium on issuance	(12,264,881)	
Capital leases payable	(3,012,570)	
Compensated absences (vacations)	(1,233,054)	
Special termination benefits payable	(7,382,771)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(59,642,075)	
Total long-term liabilities		(281,015,584)
Total net position - governmental activities		$ (139,902,485)

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 199,368,770	$ -	$ -	$ 199,368,770
Federal sources	10,061,588	-	7,638,452	17,700,040
Other State sources	24,632,211	105,495	875,863	25,613,569
Other local sources	4,481,272	13,780,580	4,665,684	22,927,536
Total revenues	238,543,841	13,886,075	13,179,999	265,609,915
Expenditures				
Current				
Instruction	150,101,490	-	241,018	150,342,508
Instruction-related activities				
Supervision of instruction	8,593,220	-	6,138	8,599,358
Instructional library, media, and technology	2,007,278	-	-	2,007,278
School site administration	13,749,620	-	72,935	13,822,555
Pupil services				
Home-to-school transportation	3,792,328	-	-	3,792,328
Food services	159,414	-	8,748,172	8,907,586
All other pupil services	14,491,291	-	25,436	14,516,727
Administration				
Data processing	3,067,563	-	-	3,067,563
All other administration	5,880,804	-	341,002	6,221,806
Plant services	20,612,851	-	3,312,320	23,925,171
Ancillary services	2,555,222	-	-	2,555,222
Other outgo	480,082	-	-	480,082
Enterprise services	2,238,275	-	-	2,238,275
Facility acquisition and construction	6,036	-	1,027,414	1,033,450
Debt service				
Principal	-	5,310,000	255,125	5,565,125
Interest and other	196,872	7,605,377	91,268	7,893,517
Total expenditures	227,932,346	12,915,377	14,120,828	254,968,551
Excess (Deficiency) of Revenues Over Expenditures	10,611,495	970,698	(940,829)	10,641,364
Net Change in Fund Balances	10,611,495	970,698	(940,829)	10,641,364
Fund Balance - Beginning	13,297,518	11,549,084	10,188,865	35,035,467
Fund Balance - Ending	$ 23,909,013	$ 12,519,782	$ 9,248,036	$ 45,676,831

Total Net Change in Fund Balances - Governmental Funds		$ 10,641,364
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 exceeds capital outlays in the period.		
Depreciation expense	$ (13,492,457)	
Capital outlays	521,290	
Net expense adjustment		(12,971,167)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(12,435)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(564,268)
In the Statement of Activities, certain operating expenses, such as special termination benefits (supplemental 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 amounts actually paid). This amount is the difference between the amount paid by the District and the amounts committed to annuities.		2,571,717
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.		(15,862,424)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.	(2,826,196)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	794,260
Deferred amount on refunding amortization	39,516
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	5,310,000
Capital leases	255,125
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(8,404,976)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	1,544,491
Change in net position of governmental activities	$ (19,484,993)

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 10,988,911
Receivables	14,944
Total current assets	11,003,855
Liabilities	
Current liabilities	
Accounts payable	14,734
Due to other funds	4
Current portion of claims liabilities	1,490,871
Total current liabilities	1,505,609
Noncurrent liabilities	
Claims liabilities	2,720,576
Total noncurrent liabilities	2,720,576
Total liabilities	4,226,185
Net Position	
Restricted	6,777,670
Total net position	$ 6,777,670

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges to other funds	$ 7,717,545
Other operating revenues	658,318
Total operating revenues	8,375,863
Operating Expenses	
Insurance premiums	1,395,822
Professional and contract services	5,616,662
Total operating expenses	7,012,484
Operating Income	1,363,379
Nonoperating Revenues	
Interest income	181,112
Change in Net Position	1,544,491
Total Net Position - Beginning	5,233,179
Total Net Position - Ending	$ 6,777,670

		Governmental Activities - Internal Service Fund
Operating Activities		
Cash receipts from interfund services provided	$	7,716,860
Other operating cash receipts		682,654
Cash payments to other suppliers of goods or services		(2,873)
Cash payments for insurance premiums		(7,764,099)
Net Cash From Operating Activities		632,542
Investing Activities		
Interest on investments		181,112
Net Change in Cash and Cash Equivalents		813,654
Cash and Cash Equivalents, Beginning		10,175,257
Cash and Cash Equivalents, Ending	$	10,988,911
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	$	1,363,379
Changes in assets and liabilities		
Receivables		24,336
Accounts payable		(2,873)
Due to other fund		(685)
Claims liability		(751,615)
Net Cash From Operating Activities	$	632,542

	Scholarship Trust	Agency Funds
Assets		
Deposits and investments	$ 124,606	$ 2,293,549
Receivables	3,950	-
Total assets	128,556	$ 2,293,549
Liabilities		
Due to student groups	$ -	$ 800,354
Due to bondholders	-	1,493,195
Total liabilities	-	$ 2,293,549
Net Position		
Held in trusts for scholarships	128,556	
Total net position	$ 128,556	

	Scholarship Trust
Additions	
Private donations	$ 78,094
Interest	1,782
Total additions	79,876
Deductions	
Other expenditures	53,382
Change in Net Position	26,494
Net Position - Beginning	102,062
Net Position - Ending	$ 128,556

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 fourteen elementary schools, four middle schools, three comprehensive high schools, and two continuation schools.

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 primary 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 $375,132.

- **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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 consumed rather than when purchased.

Capital Assets and Depreciation

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

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

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 Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements 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, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

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

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 deferred outflows of resources, and liabilities and deferred inflows of resources. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report $19,416,777 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 May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 36,859,005
Proprietary funds	10,988,911
Fiduciary funds	2,418,155
Total deposits and investments	$ 50,266,071

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

Cash on hand and in banks	$ 938,983
Cash with fiscal agent	2,961,058
Cash in revolving	105,576
Investments	46,260,454
Total deposits and investments	$ 50,266,071

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
Local Agency Investment Fund	$ 3,178,535	191
First American Treasury Obligation Money Market Funds, Class D	2,540,338	48
Riverside County Treasury Investment Pool	40,541,581	409
Total	$ 46,260,454	

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, 2020, the District's bank balance of $2,283,502 was exposed to custodial credit risk because it was uninsured and uncollateralized and $758,324 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 Riverside County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

		Fair Value Measurements Using	
Investment Type	Reported Amount	Level 2 Inputs	Uncategorized
Local Agency Investment Fund	$ 3,178,535	$ -	$ 3,178,535
First American Treasury Obligation Money Market Funds, Class D	2,540,338	2,540,338	-
Riverside County Treasury Investment Pool	40,541,581	-	40,541,581
Total	$ 46,260,454	$ 2,540,338	$ 43,720,116

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

Note 4 - Receivables

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

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Fiduciary Funds
Federal Government					
Categorical aid	$ 3,490,224	$ 210,543	$ -	$ 3,700,767	$ -
State Government					
LCFF apportionment	21,642,001	-	-	21,642,001	-
Categorical aid	68,945	192,717	-	261,662	-
Lottery	871,701	-	-	871,701	-
Special Education	1,743,763	-	-	1,743,763	-
Local Government			-		-
Interest	91,320	12,347	14,944	118,611	3,950
Other local sources	443,362	20,489	-	463,851	-
Total	$ 28,351,316	$ 436,096	$ 14,944	$ 28,802,356	$ 3,950

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 28,545,954	$ -	$ -	$ 28,545,954
Construction in progress	124,460	278,410	(124,460)	278,410
Total capital assets not being depreciated	28,670,414	278,410	(124,460)	28,824,364
Capital assets being depreciated				
Land improvements	44,009,592	6,602	-	44,016,194
Buildings and improvements	444,450,402	214,533	-	444,664,935
Furniture and equipment	20,534,742	146,205	(193,814)	20,487,133
Total capital assets being depreciated	508,994,736	367,340	(193,814)	509,168,262
Total capital assets	537,665,150	645,750	(318,274)	537,992,626
Accumulated depreciation				
Land improvements	(29,916,556)	(1,586,425)	-	(31,502,981)
Buildings and improvements	(140,260,250)	(11,143,328)	-	(151,403,578)
Furniture and equipment	(15,632,572)	(762,704)	181,379	(16,213,897)
Total accumulated depreciation	(185,809,378)	(13,492,457)	181,379	(199,120,456)
Governmental activities capital assets, net	$ 351,855,772	$ (12,846,707)	$ (136,895)	$ 338,872,170

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

Governmental Activities	
Instruction	$ 12,143,212
School site administration	53,970
Home-to-school transportation	809,548
Food services	121,432
Data processing	67,462
All other administration	121,432
Plant services	175,401
Total depreciation expenses governmental activities	$ 13,492,457

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, 2020, 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	$ -	$ 527,338	$ 4	$ 527,342
Non-Major Governmental Funds	932	-	-	932
Total	$ 932	$ 527,338	$ 4	$ 528,274

A balance of $521,028 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from the transfer of indirect costs.

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.

Note 7 - Accounts Payable

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

	General Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Vendor payables	$ 4,023,505	$ 217,986	$ 14,734	$ 4,256,225
State LCFF apportionment	14,549,074	-	-	14,549,074
Salaries and benefits	507,386	45,071	-	552,457
Total	$ 19,079,965	$ 263,057	$ 14,734	$ 19,357,756

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 312,427	$ 23,408	$ 335,835
State categorical aid	448,932	-	448,932
Other local	225,272	-	225,272
Total	$ 986,631	$ 23,408	$ 1,010,039

Note 9 - Tax and Revenue Anticipation Notes (Trans)

On July 24, 2019, the District issued $11,000,000 of Tax and Revenue Anticipation Notes bearing an interest rate of 2.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on January 31, 2020 and April 30, 2020. 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. The District has fully met the repayment obligations as of June 30, 2020.

Note 10 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 253,908,219	$ 8,524,089	$ (5,310,000)	$ 257,122,308	$ 6,445,000
Premium on issuance of debt	13,059,141		(794,260)	12,264,881	-
Capital leases	3,267,695	-	(255,125)	3,012,570	250,282
Supplemental Early Retirement Plan (SERP)	9,954,488	-	(2,571,717)	7,382,771	2,438,041
Compensated absences	668,786	564,268	-	1,233,054	-
Claims liability	4,963,062	5,535,070	(6,286,685)	4,211,447	1,490,871
Total	$ 285,821,391	$ 14,623,427	$ (15,217,787)	$ 285,227,031	$ 10,624,194

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 primarily by the General Fund and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
11/5/02	8/1/30	2.30-5.90	$52,810,000	$ 26,620,000	$ -	$ (2,325,000)	$ 24,295,000
6/15/11	8/1/46	3.00-5.10	56,941,560	105,598,708	8,208,154	(940,000)	112,866,862
11/21/13	8/1/42	5.00-5.25	78,998,673	79,204,511	315,935	(550,000)	78,970,446
5/24/18	8/1/32	3.00-5.00	43,300,000	42,485,000	-	(1,495,000)	40,990,000
				$ 253,908,219	$8,524,089	$ (5,310,000)	$ 257,122,308

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 to 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, 2020, the principal balance of $24,295,000 remained outstanding and unamortized premium on issuance amounted to $13,965.

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 $112,866,862. Unamortized premium received on issuance amounted to $5,102,183.

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, 2020, the principal outstanding (including accretion) was $78,970,446. Unamortized premium received on issuance was $1,364,957.

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, 2020, the principal outstanding was $40,990,000. Unamortized premium received on issuance and deferred amount on refunding were $5,783,776 and $434,677, respectively.

Debt Service Requirements to Maturity

The bonds mature through August 1, 2047 as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Interest to Maturity
2021	$ 6,445,000	$ -	$ 7,282,045
2022	7,595,000	-	6,882,898
2023	8,158,502	701,498	6,535,653
2024	8,713,383	1,151,617	6,265,198
2025	9,084,509	1,620,491	5,971,273
2026-2030	40,963,120	7,616,880	40,733,280
2031-2035	35,644,073	8,495,927	38,615,694
2036-2040	45,409,657	40,725,343	32,002,862
2041-2045	67,048,469	121,106,531	23,800,434
2046-2047	28,060,595	15,209,405	3,253,844
Total	$ 257,122,308	$ 196,627,692	$ 171,343,181

Compensated Absences

Compensated absences (unpaid employee vacation), for the District at June 30, 2020, amounted to $1,233,054.

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, 2020, the total balance of all outstanding obligations for the supplemental early retirement plans was $7,382,771. Future payments are as follows:

Year Ending June 30,	Lease Payment
2021	$ 2,438,041
2022	2,381,041
2023	2,381,041
2024	182,648
	$ 7,382,771

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, 2020, amounted to $3,242,772 (discounted at 0.75 percent) and $968,675 (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, 2019	$ 3,832,071
Payments	(346,393)
Balance, July 1, 2020	$ 3,485,678

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 334,341
2022	329,843
2023	331,592
2024	338,554
2025	349,908
2026-2030	1,801,440
Total	3,485,678
Less amount representing interest	(473,108)
Present value of minimum lease payments	$ 3,012,570

Building improvements included in the capital assets related to the lease agreement at June 30, 2020 include the following:

Building improvements	$ 8,884,817
Less accumulated depreciation	(1,554,843)
Total	$ 7,329,974

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, 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
Retiree Health Plan	$ 51,846,779	$ 4,356,045	$ 1,209,541	$ 2,820,129
Medicare Premium Payment (MPP) Program	1,330,335	-	-	6,067
Total	$ 53,177,114	$ 4,356,045	$ 1,209,541	$ 2,826,196

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	156
Active employees	1,420
Total	1,576

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 measurement period of June 30, 2019, the District paid $1,335,500 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $51,846,779 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 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	3.50	percent
Healthcare cost trend rates	4.00	percent for 2019

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 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, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 45,864,759
Service cost	3,427,928
Interest	1,775,730
Differences between expected and actual experience	2,404,515
Changes of assumptions or other inputs	(290,653)
Benefit payments	(1,335,500)
Net change in total OPEB liability	5,982,020
Balance, June 30, 2020	$ 51,846,779

There were no changes in benefits terms from 2018 to 2019.

Changes of assumptions and other inputs reflect the following:

The discount rate was updated from 3.8 percent in 2019 to 3.5 percent in 2020.

Mortality rates in 2018 were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. These rates were updated in 2019 to reflect certificated employee mortality rates based on the 2020 CalSTRS Mortality Table and classified employee mortality rates based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees Table.

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 (2.50%)	$ 55,882,563
Current discount rate (3.50%)	51,846,779
1% increase (4.50%)	48,063,012

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%)	$ 46,360,331
Current healthcare cost trend rate (4.0%)	51,846,779
1% increase (5.0%)	58,411,835

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

For the year ended June 30, 2020, the District recognized OPEB expense of $2,820,129. At June 30, 2020, 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	$ 2,118,511	$ -
Differences between expected and actual experience	2,237,534	-
Changes of assumptions	-	1,209,541
Total	$ 4,356,045	$ 1,209,541

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 Outflows/(Inflows) of Resources
2021	$ 69,186
2022	69,186
2023	69,186
2024	69,186
2025	69,186
Thereafter	682,063
Total	$ 1,027,993

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $1,330,335 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.3572 percent, and 0.3460 percent, resulting in a net increase in the proportionate share of 0.0112 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $6,067.

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

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

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

Discount Rate

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

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net 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 (2.50%)	$ 1,451,701
Current discount rate (3.50%)	1,330,335
1% increase (4.50%)	1,218,747

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)	$ 1,246,922
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,330,335
1% increase (4.7% Part A and 5.1% Part B)	1,496,952

Note 12 - 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 $9,144,000 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 13 - 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	$ -	$ -	$ 15,000
Stores inventories	-	-	379,976	379,976
Prepaid expenditures	3,495	-	-	3,495
Total nonspendable	18,495	-	379,976	398,471
Restricted				
Legally restricted programs	3,611,647	-	2,330,132	5,941,779
Capital projects	-	-	1,699,814	1,699,814
Debt services	-	12,519,782	-	12,519,782
Total restricted	3,611,647	12,519,782	4,029,946	20,161,375
Assigned				
Stale-dated warrants	32,594	-	-	32,594
Safety credits	29,006	-	-	29,006
One-time revisions	396,219	-	-	396,219
Adopted budget assignments	5,170,402	-	-	5,170,402
Hold for deficit spending	5,696,370	-	-	5,696,370
Revolving Cash increase	10,000	-	-	10,000
Maintenance projects	375,131	-	-	375,131
Capital projects	-	-	4,838,114	4,838,114
Total assigned	11,709,722	-	4,838,114	16,547,836
Unassigned				
Reserve for economic uncertainties	6,721,839	-	-	6,721,839
Remaining unassigned	1,847,310	-	-	1,847,310
Total unassigned	8,569,149	-	-	8,569,149
Total	$ 23,909,013	$ 12,519,782	$ 9,248,036	$ 45,676,831

Note 14 - 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, 2020, 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, respectively for liability and property claims.

Workers' Compensation

For the fiscal year of 2020, 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 2019-2020 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, 2020:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 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
Claims and changes in estimates	(418,874)	5,535,070	5,116,196
Claims payments	(522,196)	(5,345,615)	(5,867,811)
Liability Balance, June 30, 2020	$ 3,242,772	$ 968,675	$ 4,211,447
Assets available to pay claims at June 30, 2020	$ 5,682,633	$ 5,321,222	$ 11,003,855

Note 15 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 182,384,822	$ 54,697,106	$ 16,820,256	$ 22,850,943
CalPERS	65,725,614	14,194,047	628,035	11,634,010
Total	$ 248,110,436	$ 68,891,153	$ 17,448,291	$ 34,484,953

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after 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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $17,268,789.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 182,384,822
State's proportionate share of the net pension liability	99,503,096
Total	$ 281,887,918

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.2019 percent and 0.1928 percent, resulting in a net increase in the proportionate share of 0.0091 percent.

For the year ended June 30, 2020, the District recognized pension expense of $22,850,943. In addition, the District recognized pension expense and revenue of $14,818,157 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 17,268,789	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	13,900,198	4,655,344
Differences between projected and actual earnings on pension plan investments	-	7,025,519
Differences between expected and actual experience in the measurement of the total pension liability	460,425	5,139,393
Changes of assumptions	23,067,694	-
Total	$ 54,697,106	$ 16,820,256

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,	Outflows/(Inflows) of Resources
2021	$ (708,644)
2022	(5,577,435)
2023	(1,157,963)
2024	418,523
Total	$ (7,025,519)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 5,954,854
2022	5,954,854
2023	7,466,646
2024	7,689,403
2025	30,873
Thereafter	536,950
Total	$ 27,633,580

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 271,586,097
Current discount rate (7.10%)	182,384,822
1% increase (8.10%)	108,419,978

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	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	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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, 2020, are presented above and the total District contributions were $5,589,902.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $65,725,614. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.2255 percent and 0.2231 percent, resulting in a net increase in the proportionate share of 0.0024 percent.

For the year ended June 30, 2020, the District recognized pension expense of $11,634,010. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,589,902	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	701,084	18,418
Differences between projected and actual earnings on pension plan investments	-	609,617
Differences between expected and actual experience in the measurement of the total pension liability	4,774,318	-
Changes of assumptions	3,128,743	-
Total	$ 14,194,047	$ 628,035

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
2021	$ 601,759
2022	(1,201,996)
2023	(182,147)
2024	172,767
Total	$ (609,617)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 5,364,859
2022	2,209,038
2023	919,845
2024	91,985
Total	$ 8,585,727

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 94,739,151
Current discount rate (7.15%)	65,725,614
1% increase (8.15%)	41,656,881

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 $10,393,415 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. 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 an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions have been recorded in these financial statements. On behalf payments related to these additional contributions have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

Note 16 - Commitments and Contingencies

Grants

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

Litigation

The District is 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, 2020.

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
2021	$ 1,472,740
2022	1,518,182
2023	1,565,549
2024	1,614,394
2025	1,664,763
2026-2030	9,136,104
2031	985,501
Total	$ 17,957,233

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
La Sierra High School	$ 278,410	06/30/21

Note 17 - 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, 2020, the District made payments of $1,305,577, $6,492,300, and $157,362 to SoCal ReLiEF, SISC, and REEP for the services and coverage noted.

Note 18 - Subsequent Events

On August 27, 2020, the District issued $87,390,000 of the 2020 General Obligation Refunding Bonds. The current interest bonds have a final maturity to occur on August 1, 2035, with interest rates ranging from 0.334 to 2.427 percent. Proceeds from the bonds will be used to advance refund $3,457,154 and $70,555,000 of the District's General Obligation Bonds, 2012 Election Series A capital appreciation bonds and current interest bonds, respectively, and to pay the costs of issuing the bonds.

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

Required Supplementary Information
June 30, 2020

Alvord Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 199,840,489	$ 199,359,178	$ 199,368,770	$ 9,592
Federal sources	11,064,201	11,628,123	10,061,588	(1,566,535)
Other State sources	18,322,385	20,367,137	24,632,211	4,265,074
Other local sources	3,253,656	3,475,516	4,481,272	1,005,756
Total revenues [1]	232,480,731	234,829,954	238,543,841	3,713,887
Expenditures				
Current				
Certificated salaries	106,153,620	102,708,916	103,051,355	(342,439)
Classified salaries	27,695,889	26,081,665	26,454,625	(372,960)
Employee benefits	64,598,176	63,978,702	67,996,908	(4,018,206)
Books and supplies	6,989,603	7,963,179	7,249,624	713,555
Services and operating expenditures	25,594,146	24,722,744	22,939,483	1,783,261
Other outgo	593,798	162,696	139,080	23,616
Capital outlay	-	106,732	101,271	5,461
Total expenditures [1]	231,625,232	225,724,634	227,932,346	(2,207,712)
Excess (Deficiency) of Revenues Over Expenditures	855,499	9,105,320	10,611,495	1,506,175
Other Financing Sources (Uses)				
Other uses	(2,145,153)	(1,000,000)	-	1,000,000
Net Change in Fund Balances	(1,289,654)	8,105,320	10,611,495	2,506,175
Fund Balance - Beginning	13,297,518	13,297,518	13,297,518	-
Fund Balance - Ending	$ 12,007,864	$ 21,402,838	$ 23,909,013	$ 2,506,175

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. In addition, on behalf payments of $3,486,294 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 3,427,928	$ 3,515,759	$ 3,421,663
Interest	1,775,730	1,685,466	1,436,645
Difference between expected and actual experience	2,404,515	-	-
Changes of assumptions	(290,653)	(1,094,293)	-
Benefit payments	(1,335,500)	(1,677,300)	(1,612,788)
Net change in total OPEB liability	5,982,020	2,429,632	3,245,520
Total OPEB Liability - Beginning	45,864,759	43,435,127	40,189,607
Total OPEB Liability - Ending	$ 51,846,779	$ 45,864,759	$ 43,435,127
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.3572%	0.3460%	0.3566%
Proportionate share of the net OPEB liability	$ 1,330,335	$ 1,324,268	$ 1,500,388
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[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.

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.2019%	0.1928%	0.1970%	0.2039%	0.2027%	0.1771%
Proportionate share of the net pension liability	$ 182,384,822	$ 177,152,960	$ 182,175,385	$ 164,913,328	$ 136,472,756	$ 103,490,342
State's proportionate share of the net pension liability	99,503,096	101,428,355	107,773,419	93,882,216	72,179,043	62,491,937
Total	$ 281,887,918	$ 278,581,315	$ 289,948,804	$ 258,795,544	$ 208,651,799	$ 165,982,279
Covered payroll	$ 108,137,181	$ 103,972,065	$ 104,212,774	$ 105,567,586	$ 94,087,387	81,588,014
Proportionate share of the net pension liability as a percentage of its covered payroll	168.66%	170.39%	174.81%	156.22%	145.05%	126.85%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.2255%	0.2231%	0.2233%	0.1990%	0.2007%	0.1807%
Proportionate share of the net pension liability	$ 65,725,614	$ 59,487,602	$ 53,308,071	$ 39,209,748	$ 29,589,636	$ 20,518,289
Covered payroll	$ 31,711,173	$ 29,641,420	$ 31,321,047	$ 23,994,277	$ 22,224,102	19,063,577
Proportionate share of the net pension liability as a percentage of its covered payroll	207.26%	200.69%	170.20%	163.41%	133.14%	107.63%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 17,268,789	$ 17,604,733	$ 15,003,169	$ 13,109,967	$ 11,327,402	$ 8,354,960
Less contributions in relation to the contractually required contribution	17,268,789	17,604,733	15,003,169	13,109,967	11,327,402	8,354,960
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 100,987,070	$ 108,137,181	$ 103,972,065	$ 104,212,774	$ 105,567,586	$ 94,087,387
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 5,589,902	$ 5,727,672	$ 4,603,609	$ 4,349,867	$ 2,842,602	$ 2,615,999
Less contributions in relation to the contractually required contribution	5,589,902	5,727,672	4,603,609	4,349,867	2,842,602	2,615,999
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 28,344,922	$ 31,711,173	$ 29,641,420	$ 31,321,047	$ 23,994,277	$ 22,224,102
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United 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, 2020, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual*	Excess
General Fund	$ 226,724,634	$ 227,932,346	$ 1,207,712

* Includes on behalf payments of $3,486,301 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 was updated from 3.8 percent in 2019 to 3.5 percent in 2020. Mortality rates in 2018 were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. These rates were updated in 2019 to reflect certificated mortality rates based on the 2020 CalSTRS Mortality Table and classified employee mortality rates based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees Table.

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

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

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

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

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

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

Schedule of District Contributions

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

Supplementary Information
June 30, 2020

Alvord Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	$ 4,834,183
School Improvement Funding for LEAs	84.010	15438	174,545
Subtotal			5,008,728
Title III, Part A - English Learner Student Program	84.365	14346	592,560
Title III - Immigrant Student Program	84.365	15146	26,657
Subtotal			619,217
Title II, Part A - Supporting Effective Instruction	84.367	14341	771,467
Titile IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	125,453
Carl D. Perkins Vocational and Technical Education: Secondary, Section 131	84.048	14894	139,408
Passed Through Riverside County SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,149,034
Preschool Grants, Part B, Sec 619	84.173	13430	56,294
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	191,450
Preschool Staff Development, Part B, Sec 619	84.173A	13431	536
Subtotal Special Education (IDEA) Cluster			3,397,314
Total U.S. Department of Education			10,061,587
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	4,603,539
Meal Supplements - Snacks	10.555	13755	143,310
Especially Needy Breakfast Program	10.553	13526	1,154,267
Commodities	10.555	13396	358,441
Summer Food Service Program Operations	10.559	13004	599,218
Summer Food Service Program Administration	10.559	13006	61,521
Subtotal Child Nutrition Cluster			6,920,296
Child and Adult Care Food Program	10.558	13666	618,992
NSLP Equipment Assistance Grants	10.579	14906	30,173
Fresh Fruit and Vegatable Program	10.582	14968	68,992
Total U.S. Department of Agriculture			7,638,453
Total Expenditures of Federal Awards			$ 17,700,040

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 fourteen elementary schools, four middle schools, three comprehensive high schools, and two continuation schools. There were no boundary changes during the year.

GOVERNING BOARD

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

ADMINISTRATION

NAME	TITLE
Dr. Allan Mucerino	Superintendent
Dr. Robert Presby	Assistant Superintendent, Human Resources
Dr. Sherri Kemp	Assistant Superintendent, Educational Services
Dusteen Nevatt	Chief Business Officer
Kevin Emenaker	Executive Director of Administrative Services

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,225.61	5,225.61
Fourth through sixth	3,976.98	3,976.98
Seventh and eighth	2,673.27	2,673.27
Ninth through twelfth	5,450.29	5,450.29
Total Regular ADA	17,326.15	17,326.15
Extended Year Special Education		
Transitional kindergarten through third	4.64	4.64
Fourth through sixth	1.66	1.66
Seventh and eighth	0.97	0.97
Ninth through twelfth	2.28	2.28
Total Extended Year Special Education	9.55	9.55
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.62	0.62
Fourth through sixth	0.98	0.98
Seventh and eighth	2.11	2.11
Ninth through twelfth	13.96	13.96
Total Special Education, Nonpublic, Nonsectarian Schools	17.67	17.67
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.19	0.19
Seventh and eighth	0.20	0.20
Ninth through twelfth	1.21	1.21
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.60	1.60
Total ADA	17,354.97	17,354.97

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	37,800	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,220	180	N/A	Complied
Grade 2		53,220	180	N/A	Complied
Grade 3		53,220	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,257	180	N/A	Complied
Grade 5		55,257	180	N/A	Complied
Grade 6		61,785	180	N/A	Complied
Grade 7		61,785	180	N/A	Complied
Grade 8		61,785	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,054	180	N/A	Complied
Grade 10		65,054	180	N/A	Complied
Grade 11		65,054	180	N/A	Complied
Grade 12		65,054	180	N/A	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	(Budget) 2021 [1]	2020	2019	2018
General Fund [3]				
Revenues	$ 228,619,798	$ 238,524,932	$ 240,843,066	$ 224,915,417
Expenditures	233,806,876	226,067,489	237,854,059	225,023,890
Other uses and transfers out	1,000,000	1,480,082	5,295,758	3,750,410
Total Expenditures and Other Uses	234,806,876	227,547,571	243,149,817	228,774,300
Increase/(Decrease) in Fund Balance	(6,187,078)	10,977,361	(2,306,751)	(3,858,883)
Ending Fund Balance	$ 17,346,803	$ 23,533,881	$ 12,556,520	$ 14,863,271
Available Reserves [2]	$ 7,044,207	$ 8,569,149	$ 7,294,495	$ 10,841,649
Available Reserves as a Percentage of Total Outgo	3.00%	3.77%	3.00%	4.74%
Long-Term Liabilities	NA	$ 586,514,581	$ 585,843,931	$ 572,055,244
K-12 Average Daily Attendance at P-2	17,355	17,355	17,579	18,019

The General Fund balance has increased by $8,670,610 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $6,187,078 (26.3 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 2020-2021 fiscal year. Total long-term liabilities have increased by $14,459,337 over the past two years.

Average daily attendance has decreased by 664 over the past two years. No change in ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 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.

	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds
Assets							
Deposits and investments	$ 185,560	$ 2,326,033	$ 78,644	$ 653,737	$ 4,953,718	$ 1,047,143	$ 9,244,835
Receivables	33,942	394,943	275	1,611	5,325	-	436,096
Due from other funds	767	165	-	-	-	-	932
Stores inventories	-	379,976	-	-	-	-	379,976
Total assets	$ 220,269	$ 3,101,117	$ 78,919	$ 655,348	$ 4,959,043	$ 1,047,143	$ 10,061,839
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 23,933	$ 37,049	$ -	$ 81,146	$ 120,929	$ -	$ 263,057
Due to other funds	5,860	521,028	-	450	-	-	527,338
Unearned revenue	-	23,408	-	-	-	-	23,408
Total liabilities	29,793	581,485	-	81,596	120,929	-	813,803
Fund Balances							
Nonspendable	-	379,976	-	-	-	-	379,976
Restricted	190,476	2,139,656	78,919	573,752	-	1,047,143	4,029,946
Assigned	-	-	-	-	4,838,114	-	4,838,114
Total fund balances	190,476	2,519,632	78,919	573,752	4,838,114	1,047,143	9,248,036
Total liabilities and fund balances	$ 220,269	$ 3,101,117	$ 78,919	$ 655,348	$ 4,959,043	$ 1,047,143	$ 10,061,839

See Notes to Supplementary Information

	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds
Revenues							
Federal sources	$ -	$ 7,638,452	$ -	$ -	$ -	$ -	$ 7,638,452
Other State sources	421,713	454,150	-	-	-	-	875,863
Other local sources	-	681,311	9,957	1,172,998	2,781,882	19,536	4,665,684
Total revenues	421,713	8,773,913	9,957	1,172,998	2,781,882	19,536	13,179,999
Expenditures							
Current							
Instruction	241,018	-	-	-	-	-	241,018
Instruction-related activities							
Supervision of instruction	6,138	-	-	-	-	-	6,138
School site administration	72,935	-	-	-	-	-	72,935
Pupil services							
Food services	-	8,748,172	-	-	-	-	8,748,172
All other pupil services	25,436	-	-	-	-	-	25,436
Administration							
All other administration	14,976	326,026	-	-	-	-	341,002
Plant services	21,692	100,855	3,300	799,985	1,566,952	819,536	3,312,320
Facility acquisition and construction	-	-	38,237	918,569	70,608	-	1,027,414
Debt service							
Principal	-	-	-	-	255,125	-	255,125
Interest and other	-	-	-	-	91,268	-	91,268
Total expenditures	382,195	9,175,053	41,537	1,718,554	1,983,953	819,536	14,120,828
Excess (Deficiency) of Revenues Over Expenditures	39,518	(401,140)	(31,580)	(545,556)	797,929	(800,000)	(940,829)
Fund Balance - Beginning	150,958	2,920,772	110,499	1,119,308	4,040,185	1,847,143	10,188,865
Fund Balance - Ending	$ 190,476	$ 2,519,632	$ 78,919	$ 573,752	$ 4,838,114	$ 1,047,143	$ 9,248,036

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

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

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

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling $185,087 in inventory.

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.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 48 days due to the pandemic. As a result, the District received credit for these 48 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2020

Alvord Unified School District

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

To the Governing Board
Alvord Unified School District
Corona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alvord Unified School District, as of and for the year ended June 30, 2020, 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 January 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Alvord Unified School District in a separate letter dated January 29, 2021.

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

Eide Bailly LLP

Rancho Cucamonga, California
January 29, 2021

CPAs & BUSINESS ADVISORS

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

To the Governing Board
Alvord Unified School District
Corona, California

Report on Compliance for Each Major Federal Program

We have audited Alvord Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alvord Unified School District's major federal programs for the year ended June 30, 2020. 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 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's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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 2020-001. Our opinion on each federal program is not modified with respect to these matters.

Alvord Unified School District‘s response to the noncompliance 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.

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 the 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 and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, 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
January 29, 2021

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the 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 described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for' the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance 'with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	Procedures Performed
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	Yes
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 procedures for Independent Study because the independent study ADA was under the level that requires 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 have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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 procedures related to Juvenile Court Schools.

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

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

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

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

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

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

Basis for Qualified Opinion on School Accountability Report Card

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs* as item 2020-002, Alvord Unified School District did not comply with requirements regarding School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Alvord Unified School District to comply with the requirements referred to above.

Qualified Opinion on School Accountability Report Card

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

Alvord Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs.* 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.

Unmodified Opinion on Each of the Other Programs

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

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

Eide Bailly LLP

Rancho Cucamonga, California
January 29, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

Alvord Unified School District

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Title I, Part A - Basic Grants, Low Income and Neglected	84.010
Title II, Part A - Supporting Effective Instruction	84.367

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

STATE COMPLIANCE

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

None reported.

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

2020-001 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

Program Name: Title II, Part A – Supporting Effective Instruction
CFDA Number: 84.367
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 and Title II, Part A programs.

Condition

Through inquiry with District personnel, it appears that records were not maintained to demonstrate that all private schools had been contacted and notified of the opportunity to participate in the Title I, Part A and Title II, Part A programs for the 2019-2020 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 certain private schools for the 2019-2020 school year.

Repeat Finding (Yes or No)

Yes.

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.

The following finding represents an instance of noncompliance relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
72000	School Accountability Report Card

2020-002 Code 72000

Criteria or Specific Requirements

As required by California Education Code Section 33126(b) (8), the School Accountability Report Card (SARC) shall include, but is not limited to, an assessment of the safety, cleanliness, and adequacy of school facilities, including any need for maintenance.

Condition

The SARC includes, among other information, a report on the adequacy of school facilities as derived from the completion of a Facilities Inspection Tool (FIT). For Foothill Elementary School, Hillcrest High School, and Alvord Alternative Continuation School, the District was unable to provide a FIT that agreed to the facility ratings reported on each site's SARC. Without being able to compare the information, we could not determine if the facility status information in the SARC was accurately reported.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's inquiry with District personnel and through review of supporting documents.

Effect

The District has not complied with requirements identified in California Education Code Section 33126 (a) which states that the SARC shall provide data including adequacy of school facilities by which a parent can make meaningful comparisons between public schools. The adequacy of school facilities reported on the SARC could not be verified.

Cause

The condition identified appears to have materialized primarily due to the lack of a review process over this requirement.

Repeat Finding (Yes or No)

No.

Recommendation

The District should become familiar with requirements identified in California Education Code Section 33126. The Facility Inspection Tools should be kept on file to substantiate the condition of the District's facilities as reported on the SARC. Additionally, the District should provide management oversight to employees responsible for performing key compliance requirements.

Corrective Action Plan

District management will maintain adequate documentation related to Facility Inspection Tools to support the facility ratings reported in the District's School Accountability Report Cards.

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.

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.

Current Status

Implemented.

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.

Current Status

Implemented.

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.

Current Status

Implemented.

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.

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).

Current Status

Not implemented, see current year finding 2020-001.

CPAs & BUSINESS ADVISORS

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, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 29, 2021, on the government-wide financial statements of the District.

Internal Controls

Self-Insured Workers Compensation and Health Benefit Accounts

<u>Observation</u>

The District maintains various accounts in connection with its self-insured workers' compensation and health benefit activities. The accounts were created to facilitate the administration of claims handling process by a third-party administrator. Based on our review of these accounts, it appears that the District has not accurately reported the ending account balances. Based on our observation, the District reported the ending bank statement balances instead of the reconciled balances as of June 30, 2020.

<u>Recommendation</u>

Although the District would never directly use the accounts to pay its own workers' compensation claims, the accounts are still considered assets to the District. The District should accurately report these account balances on its financial statement in order to ensure the completeness and accuracy of its assets. Furthermore, any other accounts with a similar usage mechanism should be reported on the District's financial statements.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Associated Student Body (ASB)

Arizona Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that one of 31 cash collections tested was not deposited in a timely manner. The delay in deposits was 16 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 two of 31 cash collections tested were not supported by adequate documentation to verify the accuracy and completeness of the collected amount.

Recommendations

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 proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied by proper supporting documentation. Receipts, tally sheets, or logs should be used by advisors to ensure that all cash was remitted to the ASB bookkeeper.

Hillcrest High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that one of two out of four deposits tested contained cash collections that were not deposited in a timely manner. The delay in deposits was 16 to 19 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 disbursement procedures it was noted that one of 25 disbursements tested was not approved prior to the transaction 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.
3. Based on the review of fundraiser procedures, it was noted that teachers and club advisors are not providing adequate supporting documentation to substantiate the amount of revenues associated with fundraising events. Out of five fundraisers tested, each lacked adequate supporting documentation to substantiate the amount of revenue indicated on the associated revenue potential form. Two of the tested fundraisers lacked adequate supporting documentation to substantiate the amount of expenditures indicated on the associated revenue potential form.
4. Based on the review of student store procedures, it was noted that perpetual inventory records have not been maintained to track student store items.

Recommendations

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 proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow 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.
3. The revenue potential form is a vital internal control tool; it should be used to document actual revenues, actual expenditures, anticipated revenues, and anticipated expenditures. This allows for an analysis of the fundraiser to be conducted, indicating to staff and students the success or failure of the completed fundraiser. The revenue potential form can also indicate weak control areas in the fundraising procedures at the site, including the occurrence of lost or stolen merchandise, problems with collecting all monies due, and so forth.
4. It is recommended that the ASB maintain perpetual inventory records over student store items. Perpetual inventory documentation is essential to perform an analysis between the perpetual and physical inventory counts. An analysis of both counts will assist the student council in determining if items have been misplaced or stolen.

All Sites – General

Observation

During our review of the year-end financial statements, we noted multiple negative balances reported for various trust 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.

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

Eide Bailly LLP

Rancho Cucamonga, California
January 29, 2021